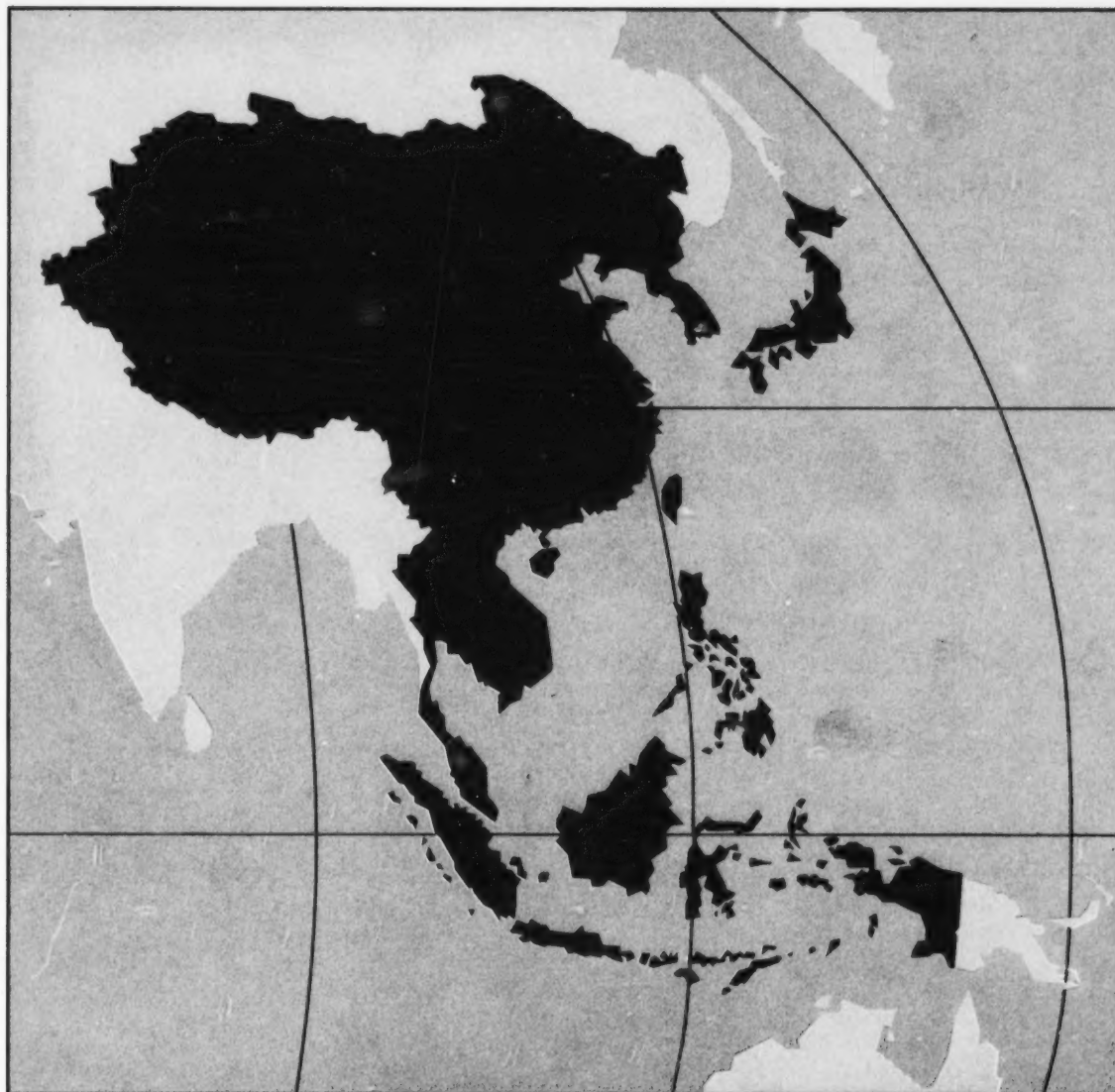




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**Features:*

- Japanese Airlines Restructuring To Break Even
- ROK Public Database Project Moves Forward
- ROK High-Speed Information Highway Project Described
- MOF, MHA Fight Over Introduction of Local Consumption Tax

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The **PACIFIC RIM ECONOMIC REVIEW** is a subseries of the Survey Series. The **REVIEW** is published biweekly by East Asia Group and contains a selection of reports on economic topics appearing in foreign newspapers, magazines, and journals, as well as radio, television, press agencies, and data base sources, primarily from the countries of the Pacific Far East. Material is presented alphabetically by geographic area, and then arranged alphabetically by topic where possible. All articles in the **REVIEW** are summaries of original foreign media reports and are presented in two formats: "Feature" articles, which either summarize a lengthy report from a single source or summarize media reports on the same subject appearing in more than one foreign media source; and shorter summaries of news reports, usually from one source.

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PACIFIC RIM ECONOMIC REVIEW

18 May 1994

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JAPAN

Auto Industry

Record Number of Auto Industry Firms Receive Employment Subsidies

Due to Japan's prolonged economic slump, the auto industry still remains in "serious condition" because of excess labor problems. According to statistics compiled by the Ministry of Labor (MOL), a record number of petitions for "employment adjustment subsidies" used to pay for "one-time layoffs" were filed by car manufacturers and auto parts makers in FY93. Furthermore, after a two-month decline, the number of petitions filed in March 1994 was higher than in February, which is an "indication" that both the economy and auto demand will probably not recover until the second half of FY94. [For previous reporting on the auto industry's employment subsidies, see the 9 March 1994 *Pacific Rim Economic Review*, pages 1-4].

In April 1993, the Japan Automobile Manufacturers Association (JAMA) and the Japan Auto Parts Industries Association (JAPIA) separately petitioned the MOL for "industry designation" so that member firms would be eligible for employment adjustment subsidies. The first car maker to apply for subsidies did so in October 1993, after which five applied in November, 21 in December, 15 in January, 13 in February, and 16 in March for a total of 71 separate petitions. An aggregate of 126,028 employees were affected involving 241,862 work-days. Based on a monthly average, 1,750 employees from each of 12 firms were "laid-off" for 3.3 days in each of five months.

The auto parts industry, which is composed of many small and medium sized firms, has been even more seriously affected by the economic downturn. Auto parts makers began petitioning for subsidies as early as May 1993. From that time to March 1994, a total of 1,990 petitions were filed, from an average of 180 firms a month, and subsidies were paid covering 225,787 people and 441,532 work-days, which is nearly double that of finished car makers. Based on a monthly average, 114 employees from each of 180 firms were furloughed for two days in each of 11 months. (Tokyo NIKKEI SANGYO SHIMBUN 9 May 94 p 9)

Honda To Begin Auto Exports From Canada

Honda Motor Co. will begin exporting "Civic" sub-compact cars manufactured in Ontario, Canada by the end of May. The company plans to export over a 1,000 slightly modified three-door hatchback and the two-door coupe Civics to Taiwan and Brazil by yearend and plans to "further increase" the number of autos and their destinations in 1995. Honda already sells Canadian cars in the United States, but this will be the first time that Canadian-made cars will be exported to other countries. Honda is looking to establish its North American plants as "export bases," so long as currencies remain stable in both Canada and the United States.

Honda began manufacturing cars in Canada in 1988 and now produces 100,000 Civics annually, of which 80 percent are exported to the United States. The company decided to begin exporting from Canada because appreciation of the yen has made Canadian-made Civics more price competitive, and the three-door hatchback model is not produced in the United States. (Tokyo NIHON KEIZAI SHIMBUN 5 May 94 p 6)

FEATURE: Airlines Restructuring To Break Even

Japan's three major airlines--Japan Air Lines (JAL), All Nippon Airways (ANA), and Japan Air System (JAS)--have projected "all-around deficits" for FY93 after final accounting is completed, and all three have frozen new hiring for 1994, according to press reports. JAL is undertaking large-scale voluntary retirement efforts, and ANA and JAS are trying to come up with new staffing levels and wage structures.

JAL Attempting To Downsize To Regain Profitability

In January 1993, JAL predicted it would begin turning profits in FY94 after having implemented emergency measures in FY93, according to the 18 April NIKKEI SANGYO SHIMBUN. However, JAL has suffered a decline in international business operations, which account for 70 percent of its revenues, and a drop in revenues from first class and business class fares because of Japan's prolonged recession. In mid-January, JAL announced a medium-term restructuring plan to reduce its main office staff of 22,000 to 17,000 by the end of 1997. It also announced plans to reduce FY94 costs by 100 billion yen (\$980 million), cut back considerably on capital investment, and shrink basic wage raises and bonuses.

On 19 April, in a further step to downsize, JAL disclosed an initiative to lower the qualifying age for voluntary retirement to 30 years of age, according to the 20 April YOMIURI SHIMBUN. Consequently, 72 percent, or 15,000 of JAL's employees have become eligible for voluntary retirement. JAL hopes to retire 550 employees this year under this initiative and plans to solicit candidates to retire during two window periods, from May to June and from September to October 1994. JAL will offer 1.9 times the "standard retirement pay" to those applying to retire in the May-June window and 1.7 times the amount in the September-October window. In general terms, YOMIURI noted, employees could receive between 10 and 16.2 million yen (\$98,000-158,000) in retirement pay if they apply during the May-June window and between 8 and 13.5 million yen (\$78,000-132,000) during the September-October window period.

YOMIURI noted that JAL registered a FY92 current loss of 53.8 billion yen (\$528 million) and expects a deficit in FY93--for the third consecutive year--of 30 billion yen (\$294 million) after final accounting is completed. The 20 April NIKKEI SANGYO also observed that because of the yen's rapid appreciation, JAL "will be no competition" against foreign airlines unless it reduces personnel costs to 15 yen per available-payload-ton-kilometer (ATK). In FY93, JAL's personnel costs were 20 yen per ATK. One yen in personnel costs per ATK is equivalent to 10 billion yen (\$98 million), which means that JAL will have to reduce its personnel expenses by 50 billion yen (\$490 million) in order to remain globally competitive.

In other restructuring projects, JAL is considering variations in job contracts such as rotating groups of employees or distributing work among employees by consignment (19 April NIKKEI SANGYO). It has formed a nine-member project team to design a new merit-based wage system by the end of May (20 April NIKKEI SANGYO) and a JAL subsidiary which offers vocational classes for flight attendants is grooming its students for jobs with foreign airlines (25 April ASAHI).

JAL has also decided to purchase seven 150-passenger Boeing B737-400 airplanes by 1997 for 30 billion yen (\$294 million) in an effort to boost its share of the domestic air travel market to 40 percent, according to the 29 April NIKKEI. JAL currently uses B747s, DC10s, and B767s on its domestic routes, but has decided the smaller B737-400's are better suited for the considerably lower volume of travelers on domestic routes between regional airports. The B737-400 also requires less fuel and is less noisy than current planes.

ANA Experiencing 'Worst Crisis' in Its History

The 5 May ASAHI SHIMBUN reported that ANA, Japan's second largest airline, expects to turn a profit of 3 billion yen (\$29 million) in FY93. However, ASAHI explained ANA is actually operating at a loss because the revenues that pushed it into the black came from selling its planes to a leasing company. Now, however, ANA must lease back its planes. According to the 18 April NIKKEI SANGYO, ANA is in the midst of "the worst crisis since it was established."

The 20 April NIKKEI SANGYO reported that ANA recently eliminated two departments and 11 sections at its main office as part of restructuring measures decided in February. ANA President Seiji Fukatsu is seeking reforms to "create a structure that endures even if the slow growth trend in the industry continues." Specifically, according to ANA's personnel director, "personnel expenses will have to be restrained" because competition is expected to become more severe.

NIKKEI SANGYO reported that, in early May, a project team of six to seven ANA pilots will begin working on a new personnel wage system to replace the "65-hour guarantee system" ANA currently uses to pay its pilots and flight attendants. This system, a "company relic" from 30 years ago, guarantees pilots and attendants a minimum of 65 flight hours each month. ANA management has determined that the average actual time spent in flight is 55 hours for pilots and 60 hours for attendants and believes it is "irrational" to guarantee hours not spent in actual flight. ANA plans to present a new wage structure to its labor unions for negotiation by this fall.

JAS Trying To Balance Personnel Expenses, Staffing Requirements

According to the 22 April NIKKEI, Japan's third largest airline, JAS, announced that its FY93 current loss of 12.6 billion yen (\$123.5 million) was 4.4 billion (\$43 million) less than its FY93 mid-year forecast because of an unexpected 2.2 percent rise in the number of passengers during the second half of FY93. JAS is striving to break even in FY94 by shrinking its staff down to 5,500 and by reexamining operations on "inefficient routes."

The company's personnel director believes, according to the 19 April NIKKEI SANGYO, that a new employment system must be created quickly to deal with the fewer number of employees resulting from the company's freeze on hiring and other streamlining efforts. The paper noted about 8 percent of the 1,300 JAS attendants retire each year. The company will cover this year's staffing requirements by increasing the number of flights per attendant per day, and by utilizing the 30 attendants who will be available after JAS suspends its Narita-Honolulu flight in late May. There is an "urgency" within JAS to review its current employment structure in order to balance staffing requirements and control personnel expenses, NIKKEI SANGYO noted.

FEATURE: MOF, MHA Fight Over Introduction of Local Consumption Tax

The Ministry of Home Affairs (MHA) and the Ministry of Finance (MOF) are expected to clash over the MHA's proposal to introduce local consumption taxes, according to press reports. While the MHA asserts that local consumption taxes are necessary to enhance local autonomy, the MOF argues that the current system of sharing nationally collected tax revenues with local governments is sufficient for their needs.

The 20 April NIHON KEIZAI SHIMBUN (NIKKEI) reported that on 19 April the MHA presented a plan to the Local Tax Subcommittee of the Tax Commission, an advisory council to the prime minister, on the introduction of local consumption taxes. According to the MHA plan, local consumption taxes would be collected by manufacturers, wholesalers, and retailers, and paid to the relevant prefectures. If a manufacturer or seller has branches in several prefectures, its headquarters could pay the company's entire bill to the prefecture where it is located or each branch could pay its portion--which would be calculated based on the number of employees--to each prefecture. The MHA has not disclosed any specific tax rate as yet, but is expected to seek one half of the anticipated "increase" of the current national consumption tax.

The 17 April NIKKEI predicted that the MOF and the MHA will engage in a "fierce battle" over the introduction of local consumption taxes. The Tax Commission, which deliberates on various proposed changes in the tax system, plans to submit its own recommendation to the prime minister by the end of June as part of Japan's macroeconomic package to expand domestic demand. While the MHA hopes to strengthen the tax revenue bases of local governments, the MOF wants to retain leadership in the taxation field. The article explained that some Tax Commission members would represent the MOF and others the MHA in fighting an "MOF-MHA battle" at commission meetings. The article added that Tax Commission Chairman Hiroshi Kato is "skeptical" of local consumption taxes.

MHA's Arguments for Local Consumption Taxes

According to the 4 May NIKKEI, the MHA presented the following reasons for the introduction of local consumption taxes:

--Increased local autonomy was one of the policies emphasized by the Hosokawa administration, and, now by the Hata administration. To realize increased local autonomy, MHA argued, local governments must broaden their sources of tax revenue.

--Local governments spend 64 percent of Japan's total public expenditures, but collect only 35 percent of total tax revenues. Local governments should increase their tax revenues to match expenditures.

--Local governments need to balance the ratio of local direct and indirect taxes to be consistent with the goal of the current tax reform, which is to correct imbalances in the current ratio of direct and indirect taxes. The ratio of local direct taxes to local indirect taxes is currently nine to one, while the ratio on the national level is seven to three. Moreover, the MHA argued, direct taxes tend to be largely affected by ups and downs in business conditions, while social welfare expenditures of local governments tend to be fixed.

--Local governments need to broaden their tax revenue bases. Seventy percent of Japan's welfare expenditures are shouldered by local governments, and these expenditures are expected to increase as the number of elderly increases as a percentage of the total population. Local governments' public works investments are also 1.7 times higher than those of the central government.

The 4 May NIKKEI explained that the MHA supports local governments which hope to broaden their own tax revenue bases in order to prepare for increasing social welfare costs and public works investment. Under the current consumption tax system, which gives 39.2 percent of consumption tax revenues collected by the National Tax Administration Agency to local governments, the local government share would not increase unless the central government increases the tax rate. According to the NIKKEI article, local governments hope to have "independent" consumption taxes, which they could raise to meet their future needs.

MOF's Arguments Against MHA's Proposal

According to the 4 May NIKKEI, the MOF argued as follows:

--The MHA's proposal would "complicate" the consumption tax system.

--The proposal would create more paperwork for companies and wholesale and retail stores, who would have to pay the taxes, since they would have to pay two government entities.

--The current system whereby central and local governments share consumption tax revenues--39.2 percent of total consumption tax revenues is transferred to local governments--is sufficient to meet local government needs.

--The proposal would be contrary to the principle that the place where a tax is assessed should also receive the benefit of the tax revenue. Manufacturers, wholesalers, and retailers of a product, who must pay consumption taxes at each stage, are not necessarily located in the same prefecture where final consumption occurs.

MHA's Dilemma on Uniform Local Tax Rate

The 8 May NIKKEI reported that there would be no easy way for the MHA to make the proposed local consumption taxes consistent with its assertion of a desire to increase local autonomy. The NIKKEI article quoted an influential member of the Tax Commission, who is "neutral between the MOF and the MHA," as saying that local consumption taxes as proposed by the MHA could not qualify as independent local taxes, because each prefecture would not be allowed to set its own tax rate according to its needs. On the other hand, NIKKEI added, imposition of a same tax rate in all prefectures would be the only way to prevent corporations from moving their operations from one prefecture to another in pursuing the lowest tax rate.

Consumption Tax Increase

According to the 4 May NIKKEI, the MHA plans to propose that 2 percent of the anticipated "increase" in the consumption tax be collected by local governments. The MHA assumes that the Tax Commission would recommend a raise from the current 3 percent to 7 percent, and the MHA hopes to gain control of half, or 2 percent, of the increase in the form of a local consumption tax.

The 4 May NIKKEI reported that the MOF was particularly concerned about the MHA's assumption of a consumption tax increase. The MOF's position is that since the consumption tax increase is a very sensitive issue, the MHA should not talk about it as if it were already granted. The MOF is concerned, the article continued, that there is sufficient opposition to an increase, and arguments over how much of the "increase" should go to local governments would further complicate the MOF's advocacy of a consumption tax rate increase. The MOF is also worried that opposition to local consumption taxes may lead to a smaller increase in the consumption tax rate.

Uncertainty on Outcome of Tax Commission Debates

According to the 10 May SANKEI SHIMBUN, current political uncertainties make the outcome of Tax Commission debates uncertain. The Tax Reform Council of the coalition parties has not reconvened since the inauguration of the Hata Cabinet due to the Social Democratic Party of Japan's (SDPJ's) departure from the coalition. Even though the Tax Commission and the Tax Reform Council could agree on the consumption tax increase, they may decide not to go so far as to specify the rate of increase, since the SDPJ, now an opposition party, is expected to oppose an increase in consumption tax rates. Consequently, SANKEI concluded, the introduction of a local consumption tax "may not necessarily be decided" by the end of June, but the battle will continue.

JAIDO Program To Ship Excess Equipment to Developing Countries

The Japan International Development Organization (JAIDO) and Toho Rayon, a medium-sized producer of acrylic fibers, rayon, and cotton, have agreed to ship Toho's surplus cotton spinning equipment to Uzbekistan and to establish a joint venture company there in 1994, according to the 2 May NIKKEI BUSINESS. This is the first project in a new program JAIDO initiated in March 1993 to facilitate the shipment of surplus Japanese industrial production equipment to areas like the former Soviet Union, Southeast Asia, and South and Central America and to initiate joint manufacturing projects. The cotton spinning equipment to be sent to Uzbekistan will come primarily from Toho mills in Tokushima and Gifu Prefectures, where roughly 10 percent of the company's annual production capacity was idled in FY93.

An Uzbek delegation visiting Japan agreed to the transfer of the facilities after inspecting Toho's mills in March. The details of the joint venture company, such as the precise value of the deal, how much Japan will contribute, and who will have managing rights to the facilities, have not been finalized. However, the project is expected to be in the range of between 1 and 2 billion yen (\$9.5-19 million). JAIDO will solicit capital participation from Japanese trading companies and European and U.S. investment funds and companies. Uzbekistan will obtain the funds to buy the equipment through cooperative financing from private banks and international financial institutions.

JAIDO was established in 1989 by the Overseas Economic Cooperation Fund, an organ of the Japanese Government, and 112 member firms of the Japan Federation of Economic Organizations (Keidanren), to promote investment and economic cooperation by Japanese private enterprise in developing countries, according to the 1993 KAIGAI KEIZAI KYORYOKU BENKAN (Guide to Overseas Economic Cooperation). To date, JAIDO has contributed 3 billion yen (\$28.6 million) for 40 joint venture projects in developing countries, according to NIKKEI BUSINESS. In addition to the textile industry, JAIDO is seeking cooperation projects involving other Japanese industrial sectors, such as steel, electronics, and automobiles.

FEATURE: Regional, Trust Banks Facing Difficulties

Recent press reporting on developments in the Japanese banking industry indicates that problems in the regional and trust bank sectors are leading to consolidation.

Regional Banks Merging

The 20 April ASAHI SHIMBUN reported that three second-tier regional banks will merge in January 1995. Kita-Nippon Bank, Tokuyo City Bank, and Shokusan Bank will merge to become the "Heisei Bank." The new bank will be the fifth-largest second-tier regional bank in Japan. The merger was reported by the 21 April Asahi to have been a bailout "orchestrated" by the MOF for Tokuyo which posted losses in FY91 and FY92. There are approximately 130 regional banks in Japan, but this will be the first merger of regional banks to create a base of operations beyond their prefectural boundaries. The merger may usher in a new type of "super-regional bank," the 21 April NIHON KEIZAI SHIMBUN (NIKKEI) reported. Finance Minister Hirohisa Fujii welcomed the merger, saying that it was in line with the MOF's monetary policy, according to a 20 April NHK NEWS report carried on the Nikkei Telecom Database.

The 6 April NIKKEI KINYU SHIMBUN (NIKKEI KINYU) reported that several other regional banks are also experiencing difficulties and have had to cut dividends to preserve their internal financial resources and to give priority to writing off bad loans. Ashikaga Bank, the leading regional bank, cut its dividends effective with the September 1993 midyear earnings report. Hyogo Bank, the largest second-tier regional bank, and Taiheiyo, Hanwa, and Osaka Banks either stopped paying dividends altogether or cut them as of FY92.

The 21 April ASAHI article observed that regional banks are facing competition from the more powerful commercial banks, which have been aggressively establishing branches in the areas traditionally served by the regional banks. An article in the 10 May EKONOMISUTO observed that commercial banks are now allowed to engage in a broader range of banking operations and have a greater capacity for raising funds than regional banks. It anticipated intensified competition for regional banks as financial liberalization unfolds--particularly the liberalization of interest rates on demand deposits, which will occur in October. Commercial banks have an advantage over regional banks because the size and scope of operations allows them to absorb the increased cost of paying higher interest on demand deposits, according to the 4 November 1993 NIKKEI.

Trust Banks To Merge With Commercial Banks

Japan's seven trust banks are in particularly serious condition, according to another article in the 10 May EKONOMISUTO. The article observed that through mergers and bailouts by Japan's more powerful commercial banks, the current seven trust banks could shrink to as few as four. Toyo Trust & Banking, Chuo Trust & Banking, and Nippon Trust Bank will have to be merged with their main commercial banks to survive at all. This will leave only four of the "original" trust banks including Mitsubishi Trust, Sumitomo Trust, Yasuda Trust, and Mitsui Trust. The competition posed by the establishment of trust subsidiaries by the major commercial banks under the Financial System Reform Law enacted in FY93 makes the future of the trust banks "dim," the article reported. The Bank of Tokyo and Industrial Bank of Japan have

already set up trust subsidiaries, and the remaining commercial banks plan to establish them by 1995. The existing trust banks would be forced to merge as a result of this increasing competition, according to the article.

The EKONOMISUTO article observed that Nippon Trust Bank, the smallest of Japan's seven trust banks in terms of assets, is "particularly shaky." It has the highest percentage of nonperforming assets to total loans of all seven trust banks, according to the 13 April ASAHI SHIMBUN. Already, Mitsubishi Bank, the fifth largest commercial bank, has decided to provide "comprehensive assistance" to Nippon Trust, which could entail a merger, according to the 21 April NIKKEI. This is possible under the Financial System Reform Law that enables an existing trust bank to become a subsidiary of a commercial bank. If Mitsubishi were to make Nippon Trust a subsidiary, rather than establish an entirely new subsidiary like the other banks, it would control a subsidiary able to engage in the full range of trust banking business, including the lucrative pension fund business. If this happens, the NIKKEI article observed, it would influence the strategies of other major commercial banks as they plan their own trust subsidiary businesses. [For previous reporting on the Nippon Trust merger see the 4 May 94 *Pacific Rim Economic Review*, pages 3-4].

Initial Performance of New Securities Subsidiaries Unremarkable

The five securities subsidiaries that were newly established by banks in 1993 as a result of the Financial System Reform Law have announced their FY93 profits, according to the 11 May NIKKEI KINYU SHIMBUN (NIKKEI KINYU). The law allows the "mutual entry" by banks, trust banks, and securities companies into one another's sectors through subsidiaries, according to the 20 January NIKKEI KINYU. To date, five banks have established securities subsidiaries. In July 1993, the Industrial Bank of Japan established IBJ Securities, Long-Term Credit Bank of Japan established LTCB Securities, and the government-affiliated Central Bank for Agriculture and Forestry established Norinchukin Securities. Two trust banks, Mitsubishi Trust and Sumitomo Trust, followed in November 1993, with Mitsubishi TB Securities and STB Securities, respectively.

IBJ Securities, LTCB Securities, and Norinchukin Securities, all posted ordinary profits of 500 million yen (\$4.76 million), 200 million yen (\$1.9 million), and 200 million yen (\$1.9 million) respectively as of the fiscal year ending March 1994, while Mitsubishi TB Securities and STB Securities recorded ordinary losses of roughly 500 million yen (\$4.76 million), according to the 11 May NIKKEI KINYU. The article attributed the discrepancy to the fact that the two trust bank subsidiaries were "unprofitable" in the bond trading area, which, the article observed, would be the main source of profits for the subsidiaries in the future.

The poorer performance on the part of the trust bank subsidiaries was due to their inability to cover stock market losses incurred early in 1994 with profits from operations during 1993, the NIKKEI KINYU reported. The Ministry of Finance requires that the subsidiaries show a "current surplus," which does not include net bond sales, for three years after beginning operations. The only subsidiary to do so was the government-affiliated Norinchukin Securities, with a current surplus amounting to 100 million yen (\$952 thousand). Norinchukin's profits were bolstered by commissions it received on the sale of investment trust funds of a co-affiliate in the Norinchukin group, Norinchukin Investment Trust Management Co.

Foreign Trade and Investment

CHINA

FEATURE: Trade Promotion Association Activities in China

Recent press articles have reported on the activities of the Association for the Promotion of International Trade of Japan (APITJ), a group of 750 companies formed to promote trade relations with China. APITJ's chairman is Yoshio Sakurauchi, former speaker of the Diet House of Representatives.

Trade Mission to Three Gorges Hydroelectric Project

According to the 16 April ASAHI SHIMBUN, the APITJ will organize a trade mission to China in mid-July to seek opportunities for Japanese companies to participate in construction of China's 1.16 trillion yen (\$11.6 billion) Three Gorges hydroelectric project. The mission, comprising representatives from about 20 financial, heavy electric, and construction machinery companies, is scheduled to meet with the Three Gorges Project Construction Committee, the Ministry of Water Resources, and the China Three Gorges Project Development Corporation, and to visit the construction site. The 13 April NIKKEI SANGYO SHIMBUN noted that the mission will be in China from 11 to 17 July.

ASAHI observed that the Japanese companies are interested because international bidding for the purchase of construction equipment and generators, "which will use foreign capital," has already begun. The contract for the design and manufacture of 12 of the 26 700,000-kw generators has already been let to a group that includes Harbin Electrical Machinery, Dongfang Electric, and their foreign subcontractors.

APITJ Establishes Financial Investment Cooperation Division

According to the 18 April NIKKEI KINYU SHIMBUN, the APITJ, which has about 750 member companies--including the major city banks, long-term credit banks, trust banks, and major life insurance companies--has recently established a Financial Investment Cooperation Division to assist banks, life insurance, and securities companies with investment in China. The new division will have a staff of four and will provide broad support ranging from negotiations to feasibility studies, contracts, and procuring capital, to Japanese power generation, transportation, and communications companies investing in China.

APITJ To Provide Credit Investigation Services

According to the 23 March NIKKEI SANGYO SHIMBUN, the APITJ will initiate a service to provide market surveys and credit investigations of Chinese companies for Japanese firms. The credit investigations will be consigned to the Huaxia Company, a credit investigation company established in 1993 by the APITJ and the China International Trust and Investment Corporation (CITIC). Huaxia is jointly funded by the People's Bank of China, the State Administration of Taxation, and the State Administration for Industry and Commerce, and has as its objective the "promotion of the development of a market economy by disclosing company information," according to the NIKKEI SANGYO.

The credit reports will include the company's name and address, names and areas of responsibility of its executives, whether the company has export authorization, the condition of its plants and production facilities, its major banks, the status of the company's collateral, and its financial situation. They will also assess the abilities of the companies' managers and future prospects, according to NIKKEI SANGYO. The 25 March ASAHI noted that the credit investigations will cost 20,000-100,000 yen (\$200-\$1,000) for association members and 30,000-150,000 yen (\$300-\$1,500) for nonmembers.

According to NIKKEI SANGYO, the proliferation of small, private Chinese companies and the "deeply rooted tendency" on the part of both state-owned companies and small private enterprises to refuse disclosure of company information, which they regard as "state secrets," is a "major headache" for smaller Japanese companies considering investing in China. To help resolve this problem, the APITJ has also "obtained the cooperation" of the Ministry of Foreign Economic Relations and Trade, the State Planning Commission, the Ministry of Machine-Building, and the Ministry of Agriculture, "which controls the rapidly expanding township enterprises under its agriculture department."

Reports on Direct Investment in China

According to the 15 April ASAHI, a report released by the APITJ showed that in 1993 there were 3,488 cases of Japanese direct investment in China, an increase of 1.93 times over 1992. This amount nearly equals the total of 3,694 direct investment deals made between 1976, when China instituted its policy of opening to the outside world and 1992.

In 1993 the value of contracts was \$2.96 billion, an increase of 36.2 percent over 1992. As a result, the cumulative value of contracts from 1976 through 1993 was \$8.86 billion. Japan's share of worldwide investment in China in both number and contract volume is about 4 percent, ASAHI reported.

Plastic Manufacturers Increasing Presence in Shenzhen

Furukawa Kasei, a manufacturer of molded plastic products, has begun a 5 million yen (\$50,000) expansion of its wholly owned Shenzhen plant because of increasing demand from its two primary customers in China, Canon and Matsushita Electric Industry. The Shenzhen plant was completed at the end of 1993, at which time it had 20 injection molding machines and employed 75 workers. The expansion, to be completed by the end of 1994, will add 25 350-ton injection molding machines and increase the workforce to 150.

Furukawa will also build a new metal-mold plant to manufacture gears, small metal parts, and cases for computers and printers. The plant is scheduled to begin operations in mid-1994. (Tokyo NIKKEI SANGYO SHIMBUN 6 Apr 94 p 26)

MG, a plastics manufacturer based in Miyazaki Prefecture, in conjunction with Technoplas, a local plastics maker, has set up a joint venture company in Shenzhen to manufacture and assemble consumer electronics and office products. The new company, Technopower, is capitalized at HK\$3 million (\$390,000), with MG contributing 30 percent and Technoplas 70 percent. Its new 6,500-square-meter, four-story plant was scheduled to be completed by mid-April. The injection molding machines will be imported from Japan. Initially the plant will employ about 300 workers. MG expects sales of about 100 million yen (\$1 million) in FY94. In conjunction with this move, MG will reduce production at its Iwasa City plant, which will be used to develop and design new products and for OEM (original equipment manufacturing)

production of new products such as water coolers and mobile telephones. (Tokyo NIHON KEIZAI SHIMBUN 12 Apr 94 p 15)

Riccheru, a major manufacturer of plastic household products based in Toyama City, Toyama Prefecture, will establish a joint venture company in Shenzhen in 1994. The partner, an unidentified Hong Kong plastic-products manufacturer, will build a plant by the middle of the year on a 1,600-square-meter site in the Shenzhen Special Economic Zone. The plant, scheduled to begin operations next year, will produce about 200-300 million yen (\$2-3 million) worth of products in the first fiscal year. Initially the products manufactured in Shenzhen will be sold in Japan, which will reduce Riccheru's export ratio by about 50 percent. Riccheru plans to have three plants in China within five years. (Tokyo NIHON KEIZAI SHIMBUN 9 Apr 94 p 8)

VIETNAM

Nichimen Purchases 15 Percent Stake in Vietnam Motors

Nichimen, Japan's eighth largest general trading company, has purchased a 15 percent stake in Vietnam Motors, the joint-venture auto assembly company based in Hanoi, for \$1.5 million. When the investment is finalized in May, Nichimen will dispatch personnel to Vietnam Motors to assist company management.

Vietnam Motors requested the investment from Nichimen, since it wanted to increase its capital base from \$7.65 million to \$10 million in order to strengthen its management and undertake various projects, such as setting up after-sales service centers in Hanoi. Nichimen will assist Vietnam Motors in securing funds to import essential assembly machinery and equipment and in procuring auto parts.

Vietnam Motors was established in 1991 under the Vietnam Government's policy of encouraging joint-venture auto assembly operations. Columbian Motors of the Philippines joined the Hoa Binh Company, a firm "under the umbrella" of the Ministry of Transportation and Communications, in the joint venture. Actual auto assembly operations began in 1992, and in 1993, 800 passenger cars and commercial vehicles were produced using parts supplied by Mazda and South Korea's Kia Motors. Vietnam Motors plans to assemble 3,000 units in 1995. (Tokyo NIHON KEIZAI SHIMBUN 27 Apr 94 p 11)

Mitsubishi Motors Requests Permission To Assemble Commercial Vans

Mitsubishi Motors has applied to the Vietnamese Government for permission to begin assembling its "Delica" commercial vans in Vietnam in a four-way joint venture with Mitsubishi Corp., Malaysia's Proton Motors, and Viettrans Shimex, Vietnam's state-owned shipping company. While waiting for government approval, Mitsubishi Motors is thoroughly assessing the local auto parts industry and replacement parts market and aims to have a "smooth" start to its production operations by contributing to the development of Vietnam's auto parts industry.

Mitsubishi has sent inspection teams to visit some twenty local parts companies, including car seat manufacturers and machine tool firms, to assess quality, costs, production levels, and parts supply systems. One problem is that since Vietnam's auto manufacturers have production systems focused on the country's military vehicle production, only a few parts manufacturers have worked with auto companies. However, Mitsubishi feels it will be possible to procure some parts by using firms that specialize in auto repair and maintenance.

Mitsubishi feels it essential to raise its local parts content ratio early on and to develop a replacement parts supply system after actual production begins. Thus, it intends to help the parts manufacturers upgrade their operations. (Tokyo NIKKAN KOGYO SHIMBUN 25 Mar 94 p 12)

Suzuki, Indonesia's Salim Group Begin Assembling Motorbikes

Suzuki, Japan's largest manufacturer of minicars and the world's third ranking producer of motorcycles, the Salim Group, Indonesia's largest conglomerate, and "a company affiliated with the Vietnamese Army" will form a joint venture company to assemble Suzuki two-wheeled vehicles in Vietnam. While Suzuki and the Salim Group have reached agreement on the project and have already begun assembling Suzuki motorbikes, negotiations are still in progress with the Vietnamese company over investment ratios and other matters. When agreement is reached, a basic production and sales structure will be developed. Suzuki is the first Japanese motorcycle company to begin actual production in Vietnam, beating out Honda, which is in the planning stage for a production plant in Vietnam.

Early this year the Salim Group began assembling Suzuki motorbikes in Ho Chi Minh City through one of its affiliated companies in Hong Kong. The assembly plant was built by an Indonesian subsidiary of Salim. Prior to this, Suzuki and the Salim Group's automobile division, the Indomobil Group, had formed an Indonesian joint venture company, "Indomobil-Suzuki Indonesia," that also will supply the assembly equipment and parts for the Vietnam assembly operation and will dispatch technicians to train the Vietnamese employees.

The joint venture company plans to assemble 7,500 units in 1994. With the installation of a painting line this summer, total production capacity will be more than 60,000 units annually. In 1995 the company projects sales of 20,000-30,000 units. (Tokyo NIHON KEIZAI SHIMBUN 2 May 94 p 3)

Freight Company Forms Joint Venture With Two State-Owned Firms

Nihon Rojitemu (Japan Logistic Systems), a Tokyo-based freight and warehousing company not listed on Japan's stock exchanges, has entered into a joint venture agreement with two Vietnamese state-owned companies to establish a passenger service and freight delivery company in Hanoi, according to the 28 April NIKKEI RYUTSU SHIMBUN. The 16 April NIKKAN KOGYO SHIMBUN noted that this is the first joint venture between Japanese and Vietnamese companies in the transport sector. The agreement has been signed and actual operations have begun, according to NIKKEI RYUTSU.

The new company, "Rojitemu-Vietnam Corp.," will be capitalized at 320 million yen (\$3.66 million), with Nihon Rojitemu's subsidiary, Rojitemu International, contributing 60 percent and the Vietnamese firms 20 percent each. Part of Rojitemu's investment entails purchasing and shipping small buses and commercial trucks to Vietnam for use by the joint venture. A total of 74 vehicles will be supplied over 5 years. The NIKKAN KOGYO article reported that Nihon Rojitemu will begin by shipping two trucks, 18 small buses, and four passenger cars.

NIKKAN KOGYO noted that the Vietnamese joint venture partners are the No. 14 Passenger Transport Company and the No. 2 Freight Transport Company, both of which are "directly under" Vietnam's Ministry of Transportation and Communications. The chairman of Rojitemu-Vietnam's Higher Management Council is Hironori Nakanishi, a managing director of Nihon Rojitemu, and the company's president is the deputy chief of Nihon Rojitemu's International Development Department.

The new company will use the buses in the Hanoi area, particularly for chartered service for foreign tourists, NIKKAN KOGYO stated. The trucks will be used to deliver freight in Hanoi and in northern Vietnam. The company also will operate an auto repair and parts supply service. It anticipates earnings of \$500,000 the first year of operation, a figure it anticipates will grow to \$1.75 million annually as its freight operations expand.

The joint venture is Nihon Rojitemu's fifth operation in Asia, following the establishment of subsidiaries in Taiwan, Singapore, Hong Kong, and Thailand, NIKKEI RYUTSU noted. With the entry of more Japanese companies into Vietnam, the company plans to expand its scope of operations to include building "exclusive use" warehouses and processing goods for shipment.

Firm Shifting Some Manufacturing Operations to Ho Chi Minh City

Organ Needle Co., a Nagano-based manufacturer of precision machinery and Japan's leading producer of all types of sewing machine needles, is shifting some of its production operations to Vietnam because the appreciation of the yen and higher production costs are making its products uncompetitive internationally. In mid-May Organ Needle and its subsidiary, Organ Kyushu, will incorporate a company, "Organ Needle Vietnam," in Ho Chi Minh City. The total investment amount, the investment ratio between the two companies, and who will be the new company's president have not yet been decided. The new company has signed an agreement with a Ho Chi Minh City export promotion zone to build a production plant, will begin production there in April 1995, and by 1996 will have shifted all production of home sewing machine needles to its Vietnam plant.

Organ signed a lease agreement to build a plant on a 1.3 acre site in the Tan Thuan Export Processing Zone on the outskirts of Ho Chi Minh City. [For information on the Tan Thuan zone, see the 23 February 1994 *Pacific Rim Economic Review*, pages 40-41]. Construction of the plant, which will cost 400 million yen (\$3.9 million), will begin in July. Some 160 Vietnamese workers will be employed, and when the plant achieves full production it will produce 100 million sewing machine needles annually for export, mainly to China and Southeast Asia.

At present all home sewing machine needles are produced at the Organ Kyushu plant, which has 170 workers. But when this production is shifted to Vietnam, the Kyushu plant will convert to producing some of the industrial sewing machine needles currently manufactured at Organ's five plants in Nagano Prefecture, which have 880 employees. The company's president states that 150 of the Nagano employees will retire within 3 years, so that further employment reductions will not be necessary.

In the future, Organ is considering the establishment of "multiple" overseas production bases, given the yen's appreciation and the company's worsening export profit situation. (Tokyo NIKKEI SANGYO SHIMBUN 2 May 94 p 8)

JTB To Initiate Tours for Japanese Industry Groups

Japan Travel Bureau (JTB), the country's largest tour company, will begin offering Vietnam "inspection tours" to Japanese companies that are investigating the possibility of setting up operations in Vietnam. The tours will be conducted monthly, beginning in late May, and will be organized by industry, such as textiles, food products, household electrical goods, electronic parts, and so forth. The first tour will be for executives of major companies in Japan's uniform manufacturing industry.

The tours will feature visits to the Ho Chi Minh City offices of the Vietnam Chamber of Commerce and Industry and the State Commission for Cooperation and Investment for briefings on Vietnam's economic conditions and its legal and tax systems. Groups will also visit factories with the potential for meeting the contracted production needs of Japanese firms, in addition to visits to port facilities and container yards and "first-hand observations" of Vietnam's distribution infrastructure.

After the tours, companies wanting to link up with Vietnamese firms will work through Hori & Co., a Tokyo-based consulting firm, which will help finalize actual arrangements. (Tokyo NIKKEI SANGYO SHIMBUN 19 Apr 94 p 19)

Machine Tools/Robotics

Citizen Watch To Market New CNC Lathe Series in Asia

Citizen Watch, which manufactures precision machine tools in addition to time pieces, will introduce a new, lower-cost series of computer numerically controlled (CNC) lathes for the Asian market in June. Its Cincom Basic Series consists of three models which have 55 percent fewer parts, are equipped with Fanuc numerical controllers, and have thermal-expansion compensation mechanisms to allow for precision processing over extended periods. The lowest price model will cost 5 million yen (\$50,000), the mid-range model 7-13 million yen (\$70,000-130,000), and the top of the line machine, which will be able to process prototypes and multiple workpieces, will cost 18-22 million yen (\$180,000-220,000). To make the lathes more user-friendly in the China market, Citizen will develop machine readouts and displays that use Chinese characters.

To market this series in the Asia, Citizen will expand its Singapore service base and establish a second base either in Hong Kong or China's coastal area. Citizen hopes to increase its overseas machine tool sales by about 13 billion yen (\$130 million), or about 30 percent, in three years. (Tokyo NIKKEI SANGYO SHIMBUN 20 Apr 94 p 15)

Petroleum/Energy

Mitsubishi Oil Begins Offshore Exploratory Drilling in Vietnam

Mitsubishi Oil Company, which has rights to explore for petroleum in Vietnam's offshore areas, began exploratory drilling in the third week of April. The drilling is being conducted in the 15-2 oilfield, a 3,370 square kilometer block located about 80 kilometers southwest of Ho Chi Minh City, using the No. 5 White Dragon Maru, owned by the Japan Ocean Drilling Company. A minimum of three wells will be drilled by next year. The first will be sunk to a depth of 3,000-4,000 meters, and Mitsubishi Oil should be able to determine "by early summer" whether it was successful.

To support its drilling operations, Mitsubishi Oil will establish bases in Ho Chi Minh City and Vung Tau and dispatch 13 employees from Tokyo. This is said to be the first time a Japanese primary petroleum distribution company has acted as an oil field operator. (Tokyo NIKKEI SANGYO SHIMBUN 26 Apr 94 p 13)

Japanese Government To Procure Nine Supercomputers in FY94

The Japanese Government revealed on 25 April that it will procure nine supercomputers for eight government-related organs with funds from the FY94 regular budget. Three bids involve "new purchases," while the other six will be upgrades to existing machines. Following budget deliberations in the Diet, bidding should begin in July. During the FY93 procurement period, the government increased the number of supercomputers it planned to buy from four to 15 due to demands for more social infrastructure spending and concern over "Japan-U.S. [trade] friction." Consequently, the number of supercomputers procured during FY94 "will likely increase as well."

A breakdown of the organizations involved is as follows:

Ministry of Education

National Laboratory for High Energy Physics	Hitachi Upgrade
Hokkaido University Computer Center	Hitachi Upgrade
Tokyo Institute of Technology Computer Center	Control Data Upgrade
Kyoto University Computer Center	Fujitsu Upgrade
Tohoku University Institute of Fluid Sciences	Cray Upgrade
University of Tokyo Institute for Solid State Physics	New Bid

Science and Technology Agency

Japan Atomic Energy Research Institute (JAERI)	Fujitsu Upgrade
" "	New Bid

Special Public Corporation

Electric Power Development Corp.	New Bid
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At least two of the nine units will be massively parallel-processing supercomputers (MPP). JAERI plans to purchase a new MPP supercomputer as well as upgrade its vector-processing unit, and the High Energy Physics Laboratory is looking to switch from a vector supercomputer to an MPP machine. (Tokyo NIKKAN KOGYO SHIMBUN 26 Apr 94 p 1)

CHINA

Domestic Developments

FEATURE: Social, Economic Impact of Rural Labor Migration

An increasing number of surplus rural laborers are migrating to large cities to look for job opportunities every year. While township enterprises have until recently absorbed most of the floating population, the pressure on China's more prosperous cities is growing and expected to become worse by the end of the century. Recent articles in the PRC and Hong Kong press have discussed the social and economic impact of this trend.

According to an article in the 4 April issue of the PRC-owned weekly CHING CHI TAO PAO (ECONOMIC REPORTER), published in Hong Kong, there are currently 120 million surplus rural laborers in China, and the number is expected to reach 140 million by the year 2000. Township enterprises, which provided 75 million jobs from 1978 to 1992, are now "saturated" with rural laborers. According to an article in the 16 February issue of the Hong Kong monthly KUANG CHIAO CHING (WIDE ANGLE), the migration started in the mid-1980s when the authorities relaxed controls on population mobility, allowing peasants to work in urban areas. The number of peasants traveling to cities to find jobs has risen steadily since then.

The large numbers of transient residents have created serious problems for the transportation sector and social life of China's larger cities. Beijing JINRONG SHIBAO reported on 5 March that 60 million peasants are "floating" among various cities. There are an estimated 24 million in 23 cities with populations exceeding one million. These travelers have aggravated the strain on transport facilities. Since mid-February, railroads have been carrying 3.5 million passengers daily nationwide. Besides creating monumental traffic jams, this "60-million-strong floating block" has further worsened the already deteriorating infrastructure of urban areas, "forcing cities with 1960s facilities to serve the needs of the 1990s." It has also intensified the shortage of food, energy, water, and postal services.

While many peasants have picked up heavy, dirty, and other odd jobs, others have become thieves, robbers, prostitutes, and drug dealers. Some peasants, the JINRONG SHIBAO article stated, have even engaged selling humans. Three hundred women have reportedly been abducted from a labor market in Chengdu and sold to eight different provinces. According to statistics, the floating population committed one-third of all crimes in Beijing in 1993. In the busier commercial areas, 80 percent of all crimes were committed by "outsiders." The article also noted that with numerous "black children" (children without birth certificates) among the floating population, the mandatory family planning policy is hard to enforce. A survey shows that 66.7 percent of all pregnancies among the floating population were in violation of the family planning policy, and 40 percent of the families have two or more children.

By contrast, the CHING CHI TAO PAO article emphasized the positive influence of the labor migration, saying it has created wealth for the poorer provinces. In 1993, five million Anhui citizens worked outside the province. Based on an average income of \$172, these people earned \$839 million. In Sichuan, \$270 million was remitted to their families by the 5.1 million who

worked in other provinces in the first six months of 1993. Moreover, many workers, after learning various trades and technology and saving enough money, have come home and opened their own businesses. Furthermore, the migrating rural laborers have contributed to the cities' prosperity by providing cheap labor. Peasants make up 50 percent of Shenzhen's labor force, for instance. Many of the conveniences of city life are due to the services these rural laborers provide. The article further noted that the rural labor migration has had a more profound influence, giving peasants a chance to participate in economic development. Peasants, who comprise 80 percent of China's population, are no longer "excluded" from the process of modernization. The article predicted that after undergoing the "baptism" of urban civilization, they will become a positive force speeding modernization.

Foreign Trade and Investment

Foreign-Funded Holding Companies Seen as Rising Trend

Despite the lack of clear rules governing their operations, China is seeing growing interest among foreign investors in the use of umbrella companies to oversee rapidly expanding businesses. A report by accounting firm Deloitte Touche Tohmatsu said this rising interest was demonstrated by an increase in applications to the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) and the State Administration of Industry and Commerce (SAIC)--the main bodies governing foreign investment--to set up China holding companies. About 30 foreign investors have established holding companies, which could easily be elevated to regional headquarters for their China operations as investments became more substantial. Because the establishment of holding companies is a new trend, there are no published regulations governing their operation, which means that under corporate law they are treated as foreign-invested enterprises rather than as a distinct class of company. MOFTEC takes into account three criteria in assessing an application. The potential foreign investors should have at least three existing or planned foreign-invested enterprises on the mainland, registered capital investment of at least \$10 million for the holding company, and the status of a multinational-known entity. Because these are only internal guidelines, certain foreign investors have been permitted to set up holding companies even though they did not meet all three criteria. As applications increase, MOFTEC and SAIC have indicated that the prerequisites may be more rigorously enforced.

Holding companies are set up more for operational and administrative convenience than for tax advantages. Currency swaps and working capital transfers among subsidiaries can be regulated to allow greater efficiency, and a "one-company" corporate image could be promoted. For tax purposes, a holding company is treated as a foreign-invested enterprise and is entitled to a reinvestment refund. Under Chinese law, part of the income tax paid by a foreign-invested enterprise is refunded to the company if it reinvests its profits in China for at least five years. Profits distributed to the holding company in the form of dividends are exempt from Chinese taxes, which, in effect, means profits of subsidiaries are not taxed twice. The holding company, however, does not enjoy the tax holiday of two years income tax exemption and three subsequent years of a 50-percent reduction because it is not considered a productive enterprise. (Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) 3 May 94 p 4)

Almost 12,000 Foreign-Funded Enterprises Approved in First Quarter

According to information disclosed by relevant departments, China approved the establishment of 11,834 new foreign-funded enterprises from January through March of this

year, with an agreed-upon foreign capital of \$19.6 billion and actual use of \$5.229 billion. The number of foreign-funded enterprises going into operation this year is expected to increase sharply. The latest statistics show that foreign-funded enterprises in China total over 186,000. The total output value of these enterprises was 300 billion yuan in 1993, accounting for 11 percent of the country's gross industrial output value. (Hong Kong ZHONGGUO TONGXUN SHE 0629 GMT 29 Apr 94)

Power Sector Official on Foreign Funding Needs, Limitations

Although China is reviewing its cap on the rate of return of power projects, it cannot guarantee that the ceiling will be raised to match those of other countries. "Foreign investors investing in power projects will definitely find that there is money to be made as there is a great shortage of power on the mainland," said Yan Qin, director of the China Electricity Council. "But we cannot promise that the rate of return will be higher than what it is now."

Mr. Yan's comments apparently were prompted by recent complaints from foreign investment banks and construction firms over the caps on the amount of profit they can make on power projects. Foreign investors allege that the country's central planners have laid down unpublished guidelines for power projects, including a limit on returns of between 12 and 15 percent. The investors argue that a more reasonable rate of return would be 15 to 18 percent.

Yesterday, Mr. Yan said that foreign investors would also have to take into account China's concerns before asking for higher returns. "We also put in money and land for power projects, so we also have to take into account our interest. What this means is that power ventures will have to be mutually beneficial," he said. To meet the country's massive power needs, China would need HK\$25 billion in foreign funds, accounting for 25 percent of investment in power construction in the next seven years. Mr. Yan said to meet these capital needs, the country would also turn to the World Bank, the Asian Development Bank, and the Japan Overseas Cooperation Fund for loans and export credits. The country will also encourage foreign investment and will fund through flotation of power companies abroad. (Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) 6 May 94 p 1)

Australia's National Mutual Insurance Sets Up Office in Beijing

National Mutual, Australia's second largest life insurance underwriter, opened a representative office in Beijing recently as a step toward expanding its operations in China. In 1992, National Mutual (Asia) became the first and only life insurance underwriter listed on the Hong Kong stock exchange. The company's income derived from insurance premiums totaled HK\$3.4 billion last year. (Beijing ZHONGGUO XINWEN SHE 0655 GMT 5 May 94)

German, Dutch Companies To Build Oil-Gas Storage Facility in Zhuhai

On 27 April, the German VTG Company and the Dutch Boten International Company signed letters of intent with the Zhuhai port office to build a large oil-gas storage and transport base. The investment totals \$150 million. The two firms will set up a joint company to launch the project. The capacity of the oil depot will be 1 million cubic meters, and the land assigned for the project, which will be completed in three phases, measures 500,000 square meters. (Hong Kong WEN WEI PO 30 Apr 94 p b2)

Taiwan Group Invests \$150 Million in Semiconductors, Other Areas

The Taiwan Northern Telecommunications Corporation signed four agreements with the mainland on 27 April for major investments in research, development, manufacture, production, sales, and service of switchboards, semiconductors, and other technology. In the next five years, investment by the Northern Telecommunications Corporation will reach \$150 million. The Beijing Telecommunications Corporation has ordered more than 4.5 million of the company's switchboards. (Hong Kong ZHONGGUO TONGXUN SHE 1011 GMT 28 Apr 94)

Record Number of Contracts Signed at Guangzhou Export Fair

According to FUZHOU WANBAO (Fuzhou Evening News), at the 75th China Export Commodities Fair, which was held in Guangzhou from 15 to 30 April, 112 representatives of Fuzhou's 12 foreign trade enterprises signed export contracts involving a record amount of over \$30.13 million, an increase of 35 percent and 27.3 percent respectively from last year's spring and autumn export commodities fair levels. (Fuzhou Fujian Radio 2300 GMT 8 May 94)

Haikou City Seeks Foreign Capital To Build New International Airport

With the approval of the State Council and the Central Military Commission, Haikou City will start building Meilan International Airport at Lingshan, 15 km from the city center, toward the end of this year. After the new airport is commissioned, the site of the existing Haikou Airport will be redeveloped into a modern urban center and a financial, trade, and information hub of the province. The search for foreign investment has already started. (Hong Kong WEN WEI PO 5 May 94 p a6)

Malaysian Group Interested in Nanjing Infrastructure Projects

Nanjing Vice Mayor Zhou Xuepo said the city government will accelerate the city's infrastructure construction, including the construction of a new airport, which will be completed in 1996. A feasibility study is under way for the construction of the second Chang Jiang bridge in Nanjing. A Malaysian financial group has indicated its willingness to cooperate. This project will involve an investment of 3.8 billion yuan. The State Planning Commission has approved the construction of a subway in Nanjing, which will require a total investment of 4.8 billion yuan. Four five-star hotels will also be built. (Hong Kong WEN WEI PO 5 May 94 p c3)

Foreign-Invested Firms Key Players in Shenyang Development Zone

The Shenyang Nanhu scientific and technological development zone, known as the "Shenyang silicon valley," which is one of the country's five comprehensive reform experimental zones, has so far introduced 210 foreign-invested enterprises, with a total foreign capital of \$250 million. Foreign-invested enterprises in the development zone account for only 15 percent of the zone's total, but their output value accounts for 50 percent. In addition, an industrial zone was built early last year south of the Hui He. More than 600 businessmen from 15 countries and regions in the world have come to this zone to sign contracts and agreements on building industrial groups, bonded warehouses, and electronics centers. (Hong Kong TA KUNG PAO 3 May 94 p 25)

Foreign Investors Now Free To Form Real Estate Companies in Shanghai

At a press conference on 3 May in Hong Kong, an official from the Shanghai Municipal Real Estate Administration said that foreign investors are now allowed to establish real estate

development companies in Shanghai. However, they must register with the Shanghai authorities for land utility approval before they form companies. Early this year, the Shanghai Municipal Government formally approved foreign investors' request to build residential buildings for domestic sales. (Hong Kong TA KUNG PAO 4 May 94 p 5)

Hong Kong Company Claims Mainland Investments of HK\$30 Billion

Huang Hua, chairman of the Nanfang International Group, says that the group now has more than 40 investment projects on the mainland, with investments in excess of HK\$30 billion. In the future, the group will increase its holdings of Guangzhou real estate, as well as real estate developments in cities in eastern and northern Guangdong. Huang also said the company would increase its investments in the tertiary sector. (Hong Kong WEN WEI PO 30 Apr 94 p C3)

Sun Hung Kai Adopts 'Prudent Strategy' on Mainland Investment

Sun Hung Kai Properties, one of Hong Kong's largest real estate groups, has stated that it is adopting a "prudent strategy" with regard to investments in China. A company spokesman said the HK\$4 billion figure cited previously for three projects in Guangzhou referred to the total cost of these developments. As these projects were being run as joint ventures, Sun Hung Kai exposure was significantly less than HK\$4 billion. The spokesman said Sun Hung Kai would continue with its policy of keeping its investment exposure in China to less than 10 percent of its total assets. While Guangzhou New Town Plaza is a joint venture with Guangzhou Investment and China Overseas Land and Investment, the group's biggest mainland project is the HK\$2.3 billion redevelopment of Dongan Market in Beijing. The spokesman said future investments would focus on Beijing, Shanghai, and Guangzhou. (Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) 12 May 94 p 3)

Hong Kong, UK Investors Set Up Guangzhou Electronics Plant

Upsonic, a joint venture between the Wong family of Hong Kong and UK merchant bank Kleinwort Benson's China Investment Development Fund, has set up an electronics factory in Guangzhou. Guangzhou Vice Mayor Liu Jinxiang and former British ambassador to China Sir Percy Cradock attended the 26 April opening ceremony. Initial investment will be \$8 million, increasing to \$16 million by the end of 1994. (Hong Kong TA KUNG PAO 27 Apr 94 p 29)

Beijing Municipality Brings in \$2 Billion in Foreign Investments

Beijing Municipality has acquired more investments for industrial production from noted companies and corporations from Japan, the United States, Germany, the Netherlands, and Switzerland. By 1993, more than 40 industrial enterprises across the municipality had acquired \$2.08 billion in foreign investment. In 1993, enterprises in the municipality signed contracts on 246 projects that involved \$1.47 billion in foreign investment. In early 1994, these industrial enterprises signed agreements on more than 50 joint-venture projects that involved \$2 billion in foreign investment. (Beijing BEIJING RIBAO 5 May 94 p 1)

Beijing Makes \$225 Million in Export Deals at Guangzhou Trade Fair

The Beijing Municipal Trade Delegation, composed of representatives from 48 foreign trade enterprises and 10 foreign-funded enterprises, has scored unprecedented achievements at the 75th China Export Trade Fair held in Guangzhou. The total volume of export deals made at the trade fair reached \$225.1 million, a 29.4-percent increase over the target set by the municipality and a 117.1-percent increase over 1993. (Beijing BEIJING RIBAO 4 May 94 p 1)

Dalian's Achievements in Economic Opening

Since its opening to the outside world, Liaoning's Dalian City has boldly utilized foreign funds and imported technologies to renovate more than 100 large and medium-sized state-owned enterprises. As a result, a great deal of key equipment has entered the world markets, and more than 40 percent of its machinery and electrical products have attained international standards. The volume of exports and import substitutes in the past 10 years totaled \$750 million. Over the past 10 years, Dalian has attracted investors from 46 countries and regions. Last year, the annual output value of the 1,400 foreign-invested enterprises already in operation reached 10 billion yuan. These enterprises created \$900 million in foreign exchange and 600 million yuan in profit and tax. Last year, the total output value of township and town enterprises in Dalian City amounted to 30.7 billion yuan, accounting for 50 percent of the city's total industrial output value. (Shenyang Liaoning People's Radio 1000 GMT 6 May 94)

Qingdao Reports Volume of Foreign Capital Over Last 10 Years

Since 1984, Qingdao City in Shandong Province has approved 2,625 projects involving foreign capital. The actual volume of foreign capital involved in these projects reached \$1.69 billion. In 1993, the city's total volume of imports and exports reached \$1.388 billion, its total industrial output value showed a 420-percent increase over the figure recorded in 1984, and its financial revenues a 180-percent increase. (Jinan Shandong People's Radio 2300 GMT 3 May 94)

Shandong Chemical Company Forms Joint Venture With German Firm

Qingdao Degusa Chemical Corporation, China's largest carbon black production enterprise, was formally established in Jiaozhou on 21 April. The investment in this corporation totals \$55 million. The corporation is a joint venture between the Qingdao Zhenya Carbon Black Group Company, Germany's Degusa Corporation, and Germany's Investment and Development Corporation. (Jinan DAZHONG RIBAO 26 Apr 94 p 2)

Taiwan

Economics Minister Proposes Method To Protect Investment in Mainland

Delivering a speech in Taichung on 30 April, Economic Minister Chiang Ping-kun said establishing a foreign trade association on the mainland in the name of a ROC-Japan joint venture may be a way to seek protection of Taiwan investment there. He said it is not possible for Taiwan to set up branches of the Foreign Trade Association of Taiwan because the mainland side had made it clear that if Taiwan sets up trade association branches there, it will set up similar branches on Taiwan. It will not be possible to solve this political question within the foreseeable future, he noted. (Taipei CHING-CHI JIH-PAO 1 May 94 p 2)

Growth in Exports to PRC Via Hong Kong Slow

The mainland retrenchment policy has slowed Taiwan's exports there. According to Hong Kong Customs statistics, Taiwan's exports to the mainland via Hong Kong totaled \$1.217 billion in the first two months of this year, an increase of four percent over the same period last year. However, the growth rate was smaller than that of the previous two years. (Taipei CHING-CHI JIH-PAO 30 Apr 94 p 6)

Ban on Imports of Japanese Wine, Cigarettes May Be Lifted for GATT

The Ministry of Finance has initially decided to lift the ban on imports of Japanese cigarettes and wine to comply with GATT principles. However, the ministry may lift the ban gradually in order to safeguard the health of citizens and protect farmers. The Republic of China and Japan are scheduled to hold bilateral consultations in August in connection with Taiwan's application to join GATT. Japan is expected to demand the lifting of the ban on the import of Japanese cigarettes and wine. An official of the ministry said the lifting of the ban will seriously affect the sale of cigarettes made in Taiwan. (Taipei CHING-CHI JIH-PAO 25 Apr 94 p 1)

Tariffs on 758 Products Being Reduced or Eliminated

The Customs Tariff Rate Committee under the Ministry of Finance on 29 April adopted the draft amendment of the customs import tariff regulations for 1994. The amendment reduces import tariffs for 758 products, including refrigerators, washing machines, yellow beans, agricultural machinery, feed, farm insecticides, perfumes, lipsticks, and toothbrushes, by an average of 2.81 percent. The tariff on 15 products, including stone materials and anticancer drugs, will be eliminated. The current tariff amendment will lower the average rate from the 4.99 that existed at the end of 1993 to 4.69 percent. The rate for agricultural products will drop from 11.55 percent to 11.01 percent, and that of industrial products from 4.35 to 4.26 percent. (Taipei CHING-CHI JIH-PAO 30 Apr 94 p 2)

SOUTH KOREA

FEATURE: Supreme Court, Patent Office Propose New Patent Trial System

In April the Supreme Court and the Office of Patent Administration each made proposals for revising the ROK's patent trial system, the ROK press reported. The Supreme Court's proposal has generated criticism and concern that the court's proposed revisions may create an impression that the ROK is "hesitant to protect patents." Debate over the issue of revising the patent trial system is "heated," and groups are working to protect their "livelihood."

According to the 20 April TONGA ILBO, the current patent trial system involves three offices and as many as three trials: The Office of Patent Administration's Trial Office handles the first trial, its Appeals Office the second trial, and the Supreme Court handles any third and final trial. The 5 May CHUGAN CHOSON reported that the issue of revising the patent trial system arose in August 1993, when two lawyers requested a trial before the Constitutional Court to determine the system's constitutionality. The point of contention was whether the process adequately protected a citizen's right to trial. According to the 17 April HANGUK KYONGJE SINMUN, in February the Supreme Court indicated that, because the process did not include a hearing before the High Court (an appellate court one level below the Supreme Court), it violated a citizen's right to trial and was therefore unconstitutional. As a result, in April the Supreme Court announced it would submit a formal proposal to amend the patent trial system to the National Assembly. CHUGAN CHOSON reported that the Office of Patent Administration subsequently announced its own formal proposal several days later.

The Supreme Court's proposal to amend the patent trial system attempts to resolve the constitutionality issue by including the High Court in the process. TONGA ILBO reported that, under this proposal, the patent administration would still handle the first two trials, while the Seoul High Court would handle a third trial, and the Supreme Court would handle a fourth trial, if necessary. The Supreme Court proposes implementing these changes in 1996. HANGUK KYONGJE SINMUN noted that the Supreme Court originally wanted to shift responsibility for the second trial from the patent administration to the Seoul High Court. However, after the patent administration opposed the plan, the court opted instead to simply add the Seoul High Court to the process. The paper quoted a source affiliated with the Supreme Court as asserting that the court's proposed amendment was "somewhat lacking" due to "insufficient negotiations" with the patent administration. However, the source remarked the amendment will likely be revised in committee at the National Assembly.

The issue of revising the patent trial system was discussed in a public forum in January (see the 9 March 1994 *Pacific Rim Economic Review*, pages 31-32), and at that time the Office of Patent Administration asserted that the current system was legal. However, in the wake of the Supreme Court's proposal, on 19 April the patent administration announced its own proposal for amending the system. CHUGAN CHOSON reported that this amendment accepts most of the Supreme Court's ideas, and would use the four-trial system until 1998. At that time, the patent administration would combine its Trial Office and its Appeals Office into a single entity, the Patent Trial Board, which would handle the first patent trial. The High Court would then handle any second trial, and the Supreme Court a third trial, if necessary. According to TONGA ILBO's calculations, if the National Assembly passes both proposals, from 1996 to 1998 patent

holders could go through as many as four trials before receiving a final verdict in a patent suit. Protecting one's patent rights could become more difficult under such a system, the paper opined.

Despite its limited acceptance of the proposed four-trial system, the patent administration is concerned about the system, according to HANGUK KYONGJE SINMUN. It could be harder to protect one's patent rights, because it could take up to five years to receive a final ruling on a patent suit. The paper noted the patent administration's worries that adopting such a system might create the misunderstanding overseas that South Korea is hesitant to protect patents, which could generate trade friction. According to the paper, Japan set up such a system in 1945, but dismantled it in 1959 after finding it inefficient. Some are criticizing the Supreme Court's amendment, which comes 40 years after Japan dismantled a similar law, as a "typical example of incompetent policy," HANGUK KYONGJE SINMUN observed.

The patent administration is not alone in criticizing the Supreme Court's proposed amendment, according to CHUGAN CHOSON. The Korea Patent Attorney Association criticized the court's "unilateral decision" to amend the system, commenting that the court had not listened to the opinions of inventors or industrialists. The association called for the establishment of a special patent court and an expert judge system similar to those in the United States and Europe. CHUGAN CHOSON noted that scientists and inventors are calling for the immediate establishment of a court specializing in patent cases. The issue of reforming the patent trial system has generated a "tug-of-war" and "shrill confrontation" as various groups--the courts, patent attorneys, and the patent administration--collect opinions and propose amendments that "favor themselves," the journal observed. It commented that, as intangible products such as patents and industrial property rights move to the fore, attention is focusing on how the groups' "keen competition" to "guarantee their own livelihood" will turn out.

FEATURE: 76 Core Companies Exempted From Credit Restrictions

The Office of Bank Supervision has announced the names of companies which it will exempt from credit restrictions, according to ROK press reports. This year's list includes fewer manufacturing firms and reflects the government's moves to include non-manufacturing areas as core business sectors.

According to the 1 April HANGUK ILBO, on 31 March the Office of Bank Supervision announced the names of 76 companies--subsidiaries of the 28 largest conglomerates--which would be exempt from credit restrictions, effective 1 April. Of the 76, 55 held exempt status in 1993, while 21 were newly selected. The 76 companies chosen are among the 108 companies designated by the 30 largest ROK conglomerates as their key companies.

According to the 1 April HANGUK KYONGJE SINMUN, the Office of Bank Supervision "readjusted" its list of core companies "based on" the Ministry of Trade, Industry, and Energy's (MOTIE) list of key companies. The paper noted that the bank office is changing its emphasis in order to help the government "professionalize" core business sectors. The 13 April CHUGAN MAEGYONG noted that the inclusion of more non-manufacturing companies as core companies is due mainly to the government's move to include distribution and construction as core business sectors. The journal reported that among the 76 core companies are 17 chemical companies, 12 distribution and storage firms, nine construction firms, seven car and transportation machinery manufacturers, six foodstuff companies, and six metals companies. HANGUK ILBO noted that this year 55 companies (72.4 percent) are in the manufacturing

sector, compared to 63 companies (86.3 percent) in 1993. This year, for the first time, Taehan Wire and Tonguk Trade Group are included in the list of the ROK's 30 largest conglomerates. However, the Office of Bank Supervision has not yet recognized any of their subsidiaries as core companies. According to HANGUK KYONGJE SINMUN, this is because the two have not yet selected any subsidiaries as key companies under MOTIE. The paper noted that, if some of the groups' subsidiaries are so designated with MOTIE, the Office of Bank Supervision may allow the groups to choose three companies as core companies exempt from credit restrictions.

HANGUK KYONGJE SINMUN reported that the 30 largest conglomerates have 573 domestic subsidiaries, 492 of which are subject to credit restrictions. (The remaining 81 are exempt from such restrictions because they are either core companies or high-performing stock dispersing companies.) The Office of Bank Supervision will limit the share of credit allotted to the 492 non-exempt subsidiaries to 10.79 percent of the total credit available, compared to 10.93 percent in 1993. Moreover, the subsidiaries in this category that belong to the five largest conglomerates will be limited to no more than 5.89 percent of the total credit available, compared to 6.15 percent in 1993. HANGUK KYONGJE SINMUN noted that, at the end of 1993, subsidiaries with credit restrictions accounted for 12,861.9 billion won (\$16.08 billion), or 8.28 percent, of total loans the office monitors.

CHUGAN MAEGYONG noted that, from a conglomerate's point of view, a core company enjoys privileges that can enable it to revitalize its investments and improve its development. However, recently banks have been strengthening their credit inspections and using their "extremely weak financial powers" with regard to awarding core company status. The banks are "leery of" including an insolvent enterprise as a core company. In the future, when a group's main correspondent bank opposes designating a financially weak subsidiary as a core company, the government will not "help" the group win that designation from the bank. Thus, groups' "thin tactics" of setting up a debt-laden enterprise as a core company and then "throwing away" its financial benefits will not "turn out as they wish."

CHUGAN MAEGYONG commented that a group's management strategy and investment expansion will differ depending on which subsidiaries it has designated as core companies. For example, Hyundai Group has named Hyundai Oil Refinery as a core company, in lieu of Hyundai Petrochemicals. Hyundai chose its oil refinery as a core company because the group has completed most of its basic investment in petrochemicals, and now needs more than 1 trillion won (\$1.25 billion) to increase its refining capacity by 300 percent by 1995. The competition in oil refining is expected to actually intensify, because four of the five largest oil refiners (Honam Oil Refinery is excluded) have all been named as core companies. Another example is Daewoo, which selected only two subsidiaries as core companies, and in lieu of a third chose to register two of its subsidiaries--Daewoo and Daewoo Telecom--as high-performing stock dispersing companies. CHUGAN MAEGYONG explained that a high-performing stock dispersing company is not only exempt from credit restrictions, but also from regulations regarding "self-financing" to cover real estate acquisitions and enterprise investments. In order to register the two subsidiaries as high-performing stock dispersing companies, the group sold off shares to reduce its stock interest in the two to less than 8 percent. Yet a third example is Halla Group. Its goal of targeting the automobile market can be seen in its choice of Halla Cooperative, its car parts firm, as a core company.

Designated Core Companies

Samsung: Samsung Chemical Corporation, Samsung Heavy Industries, Samsung Electronics

Hyundai: Hyundai Oil Refinery, Hyundai Electronics Industry, Hyundai Motor

Daewoo: Daewoo Shipbuilding & Heavy Machinery, Daewoo Motor
Lucky-Goldstar: Lucky, Goldstar, Goldstar Electron
Hanjin: Hanjin Heavy Industries, KAL, Hanjin Construction
Kia: Asia Motors, Kia Machine Tool, Kia Steel
Sunkyong: Yukong, SKC, Sunkyong Industry
Ssangyong: Ssangyong Oil Refining, Ssangyong Cement Industrial, Ssangyong Motor
Daelim: Daelim Ceramic, Daelim Concrete
Hanil: Hanil Synthetic Fiber, Kyungnam Wool Textile Industries, Hanhyo Construction
Hanhwa: Kyung-In Energy, Hanyang Chemical, Hanhwa
Kumho: Kumho, Kumho Petrochemicals, Asiana Airlines
Doosan: Oriental Brewery, Doosan Beverage, Doosan Construction
Dongkuk Steel Mill: Dongkuk Steel Mill, Yonhap Steel, Korea Steel
Hyosung: Tongyang Nylon, Tongyang Polyester, Hyosung Heavy Industries
Lotte: Lotte Confectionary, Honam Petrochemical, Lotte Shopping
Sammi: Sammi Steel, Sammi
Koryo Synthetic: Koryo Synthetic, Koryo Petrochemical, Kohap, Inc.
Kolon: Kolon, Kolon Chemical, Kolon International
Halla: Mando Machinery, Halla Cooperative
Haitai: Haitai Distribution, Haitai International
Dong-ah Construction: Dong-ah Construction, Daehan Shipping
Woo-sung Construction: Woo-sung Construction, Woo-sung Distribution
Dongbu: Dongbu Steel, Dongbu Industrial, Dongbu Rapid Transit
Kukdong Construction: Kukdong Ceramics, Kukdong Construction, Kukje General Construction
Byucksan: Byucksan, Byucksan Construction, Byucksan Development
Taehan Wire: none designated yet
Tongguk Trading: none designated yet
Jinro: Jinro, Jinro General Foods
Samyang: Sunhill Glucose, Samnam Petrochemical, Samyang Co.

FEATURE: ROK Public Database Project Moves Forward

South Korea's public database development project, one of three projects addressed in the Ministry of Communications' omnibus program to promote the development and use of electronic databases, has completed its initial stage of theme selection, according to Seoul press reports. Korea Telecom will now solicit outside bids to build these particular databases. Meanwhile, a Ministry of Science and Technology research institute is developing a database service system to facilitate management of high-speed data transfer and to systematize multimedia applications.

The ROK government's public database development project took a "big step forward" with the selection of 93 "development themes" by the Public Database Development Promotion Council, the 15 April Seoul MAEIL KYONGJE SINMUN (MKS) reported. Some 45 percent of the themes pertain to economics and industry, 30 percent to academic fields and education, and 15 percent to daily living. The remaining 10 percent focus on miscellaneous themes such as government administration and election data. According to the newspaper, the economics and industry themes include national statistics, information on the North America Free Trade Association and the Uruguay Round, and data on agricultural products, distribution,

construction, transportation, and computer software. Academic fields will include data on library holdings, science and technology, and the social sciences.

MKS reported the "next step" is for the Ministry of Communications to "prioritize" the database themes and pass this guidance onto Korea Telecom, which in June will solicit proposals from private companies to develop the databases. The ministry reportedly has budgeted 80 billion won (\$100 million) for use on the project between now and 1997. According to the 21 March Seoul CHONJA SINMUN, this "public database" is one of three such state-supported projects, which also include "government-funded databases" and the database industry in general. The three projects were reported by the newspaper to be directed by the Korea Database Promotion Center (DPC) in accordance with the Ministry of Communication's 1993 policy on database promotion. The "Public Database Development Promotion Council" mentioned in the MKS report presumably is an appendage of the DPC.

In what appears to be a related development, the 15 April MKS reported in a separate article that the Computer Research Group of the Electronics and Telecommunications Research Institute (ETRI, an ROK government-funded institute under the control of the Ministry of Science and Technology) has begun work on a "database service system" with a 5 billion won (\$6.25 million) budget that also runs from 1994 to 1997. The service system is reportedly based on technology used for ETRI's "Pada I and II" database management systems developed in 1991-92, and will be used to develop a "management system for use in a high-speed data communications net."

ETRI's project also involves building a "multimedia applications system development tool," and a "database structure tool" needed for multimedia database service. The institute expects these systems will form the "basic core" for high-speed communications services (such as electronic libraries, "hop shopping," and video-by-order) and for augmenting existing services. They will also help "systematize" technology used with domestic database management systems.

FEATURE: ROK High-Speed Information Highway Project Described

A Seoul business magazine has published a detailed breakdown with budget figures of South Korea's high-speed information highway project. Scheduled to run until 2015, the project envisions spending \$56 billion on a national data communications net for government use, a separate public data communications net, and applications and core technology. The system will connect all parts of the country with high-capacity optical electronic cables able to handle such next-generation communications services as 3-D conferencing, parallel database searches, multimedia applications, and high-definition television (HDTV).

South Korea has begun building a high-speed information highway of its own called the "Super High-Speed Data Communications Net." According to the 13 April Seoul CHUGAN MAEGYONG, basic plans for the project were laid down last August by the ROK's Ministry of Communications, and the go-ahead for full-scale development was given by the Blue House in January. The magazine reported that the project is under the control of a "promotion committee" headed by the country's prime minister, which in turn presides over a "working level committee" of some 25 officials on the bureau chief- level from related government agencies. A "planning group" has also been established in the Ministry of Communications to coordinate the project. The ministry's plan reportedly calls for simultaneous work in three

areas: a super high-speed national data communications net, a super high-speed public data communications net, and development of applications and core technology. Each program has three stages with separate budgeting for each stage.

For the national net, stage one is from 1994-97 and envisions dividing South Korea into five jurisdictions--metropolitan Seoul, the central region, the Honam area, Pusan, and Taegu--where basic construction will be carried out separately, CHUGAN MAEGYONG reported. During this stage, "the entire country including medium and small cities" will be connected by an optical cable network capable of 155-162 megabits per second providing data service to national agencies, local government bodies, and research institutes. Existing administrative, national defense, public security, education, and all other public computer networks will be incorporated into the system. Stage two is from 1998-2001, during which a 2.5 gigabit per second (GBPS) optical cable and "next generation" ATM (asynchronous transmission mode) switching system exchange will be built. Services will include remote medical examination and treatment, education, and electronic libraries. Stage three from 2003 to 2010 involves building optical cable links with several tens of GBPS capacity for use with three-dimensional image conferencing and parallel searching of dispersed databases.

CHUGAN MAEGYONG also described the "public data communications net" project aimed at building a broad-band integrated system digital network (B-ISDN). Stage one from 1994 to 1997 will expand present ISDN services. Stage two continues until 2002, during which time "model ATM switching nets" will be built in the large city areas while 10 GBPS optical electronic transmission equipment will be provided for various high-tech communications services. The third stage runs until 2015 and involves installing 100 GBPS equipment for use with optical cables to provide household subscribers with multimedia and HDTV services.

The application core technology component's three stages are coterminous with those of the public data communications project. In stage one, ATM switching and optical communications equipment will be developed. During the second stage, an information processing system that can be used with digital HDTV will be built. An advanced "next generation" version will be developed in the third stage. In addition, a "multifunction advance model network" will be built and operated between Seoul and Taedok science town to "expedite applications and technology development and to maximize research results." The network initially will have a 2.5 GBPS capacity, which will be upgraded to 10 GBPS and finally to a "T-class" super high-speed net.

According to CHUGAN MAEGYONG, the Ministry of Communications will submit a 44.77 trillion won (\$56 billion) budget for the project to the South Korean National Assembly (figures in billion won. 800 won = \$1):

Super High-Speed National Data Communications Net
(funding: government finance and
proceeds from sales)

Project/Stage	1	2	3	Subtotal
Build a high-speed trunk net	153.7	161.1	277.2	547.0
Operate high-speed trunk net	19.1	71.5	178.4	269.0
Build prototype test net	12.9	17.6	30.5	61.0
Model projects	14.0	-	-	14.0
Totals	199.7	205.2	486.1	891.0

Super High-speed Public Data Communications Net
(funding: private business)

Project/Stage	1	2	3	Subtotal
Build optical cables	423.9	2,851.9	28,247.1	31,522.9
Build communications net	143.8	947.0	9,436.7	10,527.5
Totals	567.7	3,798.9	37,683.8	42,050.4

Applications and Core Technology Development
(funding: government finance and proceeds from sales)

Project/Stage	1	2	3	Subtotal
Applications development	52.0	70.0	100.0	222.0
Core technology development	796.0	321.7	496.6	1,614.3
Totals	848.0	391.7	596.6	1,836.3

KAIST Establishes Optical-Electronics Research Center

A new optical-electronics research center is being established within the Korea Advanced Institute of Science and Technology (KAIST) for research in optical communications and to build a foundation for an optical electronics industry. The center will carry out concentrated research on components for optical information processing, a next-generation optical transmission module and optical network, and fibre-optics materials. Some 1.2 billion won (\$1.5 million) will be spent by the center annually between now and 1996 to commercialize one [unspecified] optical-electronics product, 1.5 billion won (\$1.875 million) annually from 1997 to 1999 for two more products, and 2.0 billion (\$2.5 million) annually between 2000 and 2002 to commercialize three more products. The research is expected to yield some 62 patents or theses by 2002. KAIST's center will serve as the nucleus for coordinated research that ultimately will involve South Korean universities, research institutes, and commercial firms. (Seoul MAEIL KYONGJE SINMUN 14 Apr 94 p 14)

ROK Restructuring State-Funded S&T Research Institutes

The South Korean government is completely restructuring its 27 science and technology research institutes and affiliated organizations by merging some and abolishing or selling others, in order to eliminate "inefficiency and bureaucratism" standing in the way of S&T development. According to an "informed source," the Korea Electrotechnology Research Institute is among those to be sold. A "fair number" of institutes will be subordinated to national agencies, while still others will have their functions changed to training S&T personnel, as is now done by the Korea Advanced Institute of Science and Technology (KAIST).

At present, there are 13 government-funded institutes subordinate to the Ministry of Science and Technology (MOST), and one each under the Ministry of Trade, Industry, and Energy (MOTIE), the Ministry of Health and Social Affairs, the Ministry of Construction, and the Ministry of Communications. Ten others are "affiliated institutes." The 27 institutes employ

7,237 people, and are receiving 375.5 billion won (\$469.4 million) in government funds for 1994. The institutes and their present affiliations are:

State-funded R&D institutes under

- A. Ministry of Science and Technology
 - 1. Korea Institute of Science and Technology
 - a. System Engineering Research Institute
 - b. Genetic Engineering Research Institute
 - c. Research and Development Information Center
 - d. Science and Technology Policy Institute
 - e. Management Research Institute
 - 2. Korea Advanced Institute of Science and Technology
 - 3. Korea Research Institute of Standards and Science
 - a. National Astronomical Observatory
 - b. Basic Science Support Center
 - 4. Korea Institute of Machinery and Metals
 - a. Korea Aerospace Research Institute
 - 5. Korea Institute of Nuclear Safety
 - 6. Korea Atomic Energy Research Institute
 - a. Atomic Energy Hospital
 - b. Atomic Energy Environment Management Center
 - 7. Korea Institute of Energy Research
 - 8. Korea Institute of Geology, Mining, and Materials
 - 9. Korea Electrotechnology Research Institute
 - 10. Korea Research Institute of Ships and Ocean Engineering
 - 11. Korea Research Institute of Chemical Technology
 - 12. Korea Science and Engineering Foundation
 - 13. Kwangju Institute of Science and Technology
- B. Ministry of Trade, Industry, Energy
 - 14. Production Technology Research Institute
- C. Ministry of Health and Social Affairs
 - 15. Food Development Research Institute
- D. Ministry of Construction
 - 16. Construction Technology Research Institute
- E. Ministry of Communications
 - 17. Electronics and Telecommunications Research Institute

(Seoul MAEIL KYONGJE SINMUN 12 Apr 94 p 1)

ROK Scientific and Technological Research 'Stagnating'

South Korea's S&T research, as measured by articles published in world-famous scholarly journals by ROK science-related institutes (including state-funded research institutes, universities, and private research labs) remained stagnant during 1993, according to the Korea Institute of Industry and Technology Information (KINITI). South Korea's total of 3,129 articles ranked 35th worldwide, "behind even such countries as Brazil, Taiwan, and the Republic of South

Africa." The number represents only 0.5 percent of the world total of science-related articles published that year, compared to the United States with 39.1 percent, Japan with 7.8 percent, and England with 7.7 percent. KINITI blamed the ROK's poor showing on the "absence of an S&T policy," and the "lazy" manner in which government-funded research institutes are operated. Of the 3,129 South Korean articles, 583 were prepared by the Korea Advanced Institute of Science and Technology, 559 by Seoul National University, 156 by Postech, 149 by Yonsei University, 130 by the Korea Institute of Science and Technology, and 105 by Pusan University. (Seoul MAEIL KYONGJE SINMUN 31 Mar 94 p 14)

Government Views Post-"G7" Advanced S&T Projects

The ROK Ministry of Science and Technology (MOST) is working on a "Long-Term Plan for Science and Technology Development Aimed at the Year 2010" to take South Korea beyond the present "Highly Advanced National" (HAN) projects (also known as "G7") scheduled to be completed in 2001. The ministry and the (quasi-independent) Science and Technology Policy Institute (which has responsibility for the "G7" projects) will hold public hearings this June to determine the specific projects to be included in the new plan. Project selection will take place against the backdrop of long-term technology forecasts that extend to the year 2015.

Post-"G7" planning assumes the "G7" projects now underway will have greatly raised the level of ROK technology. By the year 2001, the ROK government will have invested 1.47 trillion won (\$1.84 billion), government-invested agencies 0.59 trillion (\$0.74 billion), and private industry 1.64 trillion won (\$2.05 billion) in the 11 HAN projects now being developed. (Seoul MAEIL KYONGJE SINMUN 6 Apr 94 p 13)

ROK Government Biotech Research Funding for 1994

South Korea's Ministry of Science and Technology will spend 34 billion won (\$42.5 million) on biotech research in 1994, some 55 percent more than last year's amount of 21.9 billion won (\$27.3 million). The breakdown by category is as follows (figures in billion won (\$ million)):

10.8	(\$13.5)	Develop new biological materials.
0.8	(\$1.0)	Develop new medicines and agricultural chemicals.
3.0	(\$3.8)	Genome research, research on anatomical functions, develop commercial biological products, agricultural technology, new technology for diagnosing and preventing illnesses, medical engineering
2.4	(\$3.0)	R&D conducted at the Genetic Engineering Research Institute.
1.5	(\$1.9)	Korean Institute of Science and Technology's medical science projects.
3.0	(\$3.8)	"Other research agencies connected with biological engineering."
8.0	(\$10.0)	12 research centers involved in biotech research.
4.5	(\$5.6)	R&D projects related to bioengineering within basic, goal-directed research projects.

(Seoul MAEIL KYONGJE SINMUN 14 Apr 94 p 14)

MOST to Oversee Patent Applications for Affiliated Institutes

The Ministry of Science and Technology is devising "support policies" to protect ministry affiliated research institutes from unauthorized use of their research results domestically and internationally. Although many such institutes have been performing research with a high probability of commercialization, the complicated procedures and expense of applying for patent protection has caused the institutes to ignore this precaution. It costs some 5 million won (\$625,000) per country to apply for overseas patents, plus an annual maintenance fee of 200,000-300,000 won (\$250-375) per country per item. Many ministry-affiliated institutes also lack the expertise needed to apply for patents abroad. (Seoul MAEIL KYONGJE SINMUN 15 Apr 94 p 19)

High-Level 'Semiconductor Equipment Council' Formed

A Semiconductor Equipment Council was formally inaugurated to oversee an investment of 50 billion won (\$62.5 million) over the next four years to "indigenize" semiconductor manufacturing equipment. Kim Chi-rak, vice-director of the Semiconductor Industry Association, was elected head of the Council at its first meeting on 8 March. The Council's other members are Kim Ik-man (chief, Semiconductor Department, Ministry of Trade, Industry, and Energy), Choe Chang-ho (managing director, Samsung Electronics), Yun Chong-se (director, Goldstar Electron), Yi Hyon-hui (managing director, Hyundai Electronics), and Chong Kyong-jun (chief, Evaluation and Control, Korea Academy of Industrial Technology).

The Council will determine the basic direction that "indigenization" of semiconductor equipment will take, including what particular items will be singled out for indigenization and what businesses will be selected to participate. The South Korean government is providing 20 billion won (\$25 million) in subsidies to the project, including 4 billion won (\$5 million) from its Industrial Development fund and 16 billion won (\$20 million) in basic industrial technology support funds. Samsung, Goldstar, and Hyundai are supplying 10 billion won (\$12.5 million) each. (Seoul CHONJA SINMUN 10 Mar 94 p 1)

ROK-PRC 'Technomart' Held in Beijing

An "ROK-PRC technomart" opened in Beijing on 4 April representing the "largest-scale cooperative undertaking between South Korea and China since relations were established" in 1992. Some 138 technologies are being offered to China and 434 to South Korea. The ROK delegation included 109 members of conglomerates and small-medium businesses, led by the Ministry of Trade, Industry, and Energy's (MOTIE's) Planning and Management Office director. Chinese participants numbered 600. Of the South Korean firms, 49 wanted to import PRC technology, 4 sought to transfer technology, and another 5 wanted to do both. The following is a breakdown by category:

TECHNOLOGY	from	
	PRC	ROK
machinery	126	38
metallurgy	21	21
chemical engineering	70	31
electronics	66	14
medical service	43	6
medicinal herbs	36	13
light industry	30	5

agriculture	30	5
environment	30	5
Totals	434	138

This is the first opportunity MOTIE has had to make an objective analysis of the Chinese technologies, an opportunity the South Korean Government regards as "significant." (Seoul MAEIL KYONGJE SINMUN 4 Apr 94 p 4)

ROK Third Country Exports 'Frustrated' by Quotas

South Korean firms using third countries as a base for indirect exports are being frustrated by new trade regulations imposed by the advanced nations on developing ones and by preferential policies enacted toward domestic manufacturers in the developing countries themselves. According to the Korea Trade Promotion Corporation (KOTRA), the United States and European Union are using new quotas to limit exports from such third-world countries as Vietnam and Burma, and the latter are filling these quotas with products made by domestically-owned companies. In the case of Burma, new quotas issued by the United States are causing ROK firms there, such as Segye Corp. and Daewoo, problems since 80-90 percent of their production had been going to the United States. KOTRA will devise "countermeasures" when it finishes its survey of affected countries during the second quarter of 1994. Since United States tariffs are tied to the human rights records of the exporting countries, KOTRA expects that ROK companies will take this into account in planning their investment strategies. (Seoul MAEIL KYONGJE SINMUN 30 Mar 94 p 11)

Seoul District Civil Court Sets Up International Trade Court

On 1 March the Seoul District Civil Court established its own International Trade Court to handle suits involving international trade disputes, such as international maritime shipping or international insurance disputes. It will be composed of eight judges--six panel judges and two single judges. (In the ROK legal system, there are two types of judges: those who serve on a panel that judges a case, and those who sit in judgement on their own.) The civil court has staffed the new trade court with judges who have studied abroad, and intends to maintain a staff that has become familiar with foreign legal environments through overseas study. The need for such a court has arisen as South Korea emerges as an international trading country.

On 28 March the Seoul District Civil Court held a "bull session" involving 60 people from the Korea Chamber of Commerce and Industry, the Korea Commercial Arbitration Board, and other trade-related organizations, such as the Korea Export-Import Bank, the Korea Traders Association, and the Korea Shipping Society. The participants were invited to share opinions on how the new International Trade Court should be managed. A lawyer noted that in maritime cases the standards often differ for every port. He commented that the court should set definite standards and then disseminate these standards to every lower court. A manager at the Korea Traders Association observed that, in maritime disputes, the court prefers to ignore agreements or traditional practices and makes judgements solely based on actual laws. As a result, the court often becomes an "international laughing stock." He stated that judges can understand the real situation only if they understand the agreements and traditional practices in effect. Ka Chae-hwan, chief of the Seoul District Civil Court, concluded that South Korea must clean up all facets of its judiciary and work to make ROK courts into model courts. (Seoul CHUGAN CHOSON 14 Apr 94 pp 82-83)

ROK Becoming World's Top Cathode-Ray Tube Producer

According to data compiled by the Korea Trade Promotion Corporation (KOTRA), South Korea will be the largest cathode-ray tube producer in 1994. ROK production is expected to total 35 million units, while Japan is expected to produce 32 million units. According to KOTRA's forecast, world demand for cathode-ray tubes in 1994 will equal 150 million units, while supply will be between 138 and 146 million units. (Seoul CHUNGANG ILBO 7 May 94 p 8)

Korea Heavy Industries To Build Thermal Power Plant in India

Korea Heavy Industries has exchanged a memorandum of understanding with India's Essar Group to build a 500-megawatt thermal power plant. The contract order is worth \$50 million. Korea Heavy Industries will supply a steam turbine generator, three heat recovery steam generators, and other components and systems to the plant, which will be built in an industrial complex northwest of Bombay. The two companies also agreed to build a follow-on power plant, an oil refinery, and an ironworks. (Seoul MAEIL KYONGJE SINMUN 28 Apr 94 p 10)

Anam To Supply Semiconductors to Japan's NEC

Anam Industrial Co. will assemble and supply for NEC of Japan about 10 percent of NEC's ASIC (application-specific integrated circuit) semiconductor chips beginning in June. Anam's chips will be used in personal computers and communication equipment, namely the QFP (quad-flat package), and standard cells with 40 to 208 pins. The ROK company's production costs are reportedly 30 percent lower than those in Japan. (Seoul MAEIL KYONGJE SINMUN 8 May 94 p 6)

Hyundai Steel Pipe To Build Plant in Vietnam

Hyundai Steel Pipe has decided to build a joint venture steel pipe plant in Vietnam. Its decision comes as the demand for steel pipe increases in Vietnam--due to growing investment in Vietnam's infrastructure--and as the profitability of domestically produced ROK steel pipe decreases. Hyundai is currently consulting on building a 40,000-tonne plant near Ho Chi Minh City. The plant would require an investment of about 15 billion won (\$18.75 million). Hyundai will finalize its plans by June and begin construction during the latter half of the year. (Seoul MAEIL KYONGJE SINMUN 3 May 94 p 10)

Mando Machinery To Manufacture Caliper Brakes in China

Mando Machinery has created a joint-venture car parts company with the Langfang Municipal Brake and Air Compressor Plant and Britain's Lucas Industries. The \$30-million joint venture will be located in the Langfang Industrial Complex in China's Hebei Province. The plant will produce 300,000 caliper brakes beginning in 1995 and increase production to 600,000 units annually beginning in 1998. (Seoul CHOSON ILBO 9 May p 11)

Samsung To Export TDX to Russia

Samsung Electronics will export its new time division exchange (TDX) to Russia on a turnkey basis. Samsung recently signed a contract for the deal with the governor of Russia's Pskov region and the Russian telecommunications company GTS. According to the contract, Samsung will supply its SDX-100 (Samsung digital exchange) system with 20,000 phone lines to the city

of Pskov, along with a power supply, testing equipment, and auxiliary facilities. The SDX-100 system can accommodate up to 220,000 telephone lines, compared to 100,000 lines for the TDX-10 system. Samsung also signed an agreement to digitalize the communications network in the Russian province. (Seoul THE KOREA TIMES 5 May 94 p 8)

Kia Motors, UK's Rover To Develop Car Engines

Kia Motors has signed a contract with the British firm Rover to jointly develop a gasoline engine. The contract is part of Kia's plan to develop its own passenger car with a 2000-cc engine. Under the terms of the contract, the two companies will develop 2000-cc and 2500-cc engines by 1997. Kia plans to use a Japanese-made engine when it begins marketing its new car in 1996, but hopes to switch to using its jointly developed engine in the vehicle after 1997. (Seoul MAEIL KYONGJE SINMUN 5 May 94 p 8)

SOUTHEAST ASIA

INDONESIA

FEATURE: Impact of Industrial Growth on Rice Production

Recent Jakarta newspapers reported that Indonesia's self-sufficiency in rice is threatened by industrial growth and could result in the country becoming a rice importer in the near future.

According to the 18 April SUARA PEMBARUAN and 19 April KOMPAS and MERDEKA, Indonesia's self-sufficiency in rice is threatened. The decline in rice production is especially felt in Java--the center of industrial growth--according to Amrin Kahar, director-general for food crops in the Ministry of Agriculture. Kahar said that Java with its fertile soil, good irrigation system, and adequate marketing and distribution systems, has long been considered the bread basket for Indonesia. The island produces 60 percent of the nation's rice. The papers see Indonesia as possibly returning to being the world's largest rice importer as it was before the 1980s.

According to SUARA PEMBARUAN, Soni Harsono, state minister for Agrarian Affairs and chairman of the National Land Agency, is also concerned about the problem. The paper quoted him as saying that for the past few years, about 50,000 hectares of rice fields per year have become housing developments and industrial parks. Based on two harvests per year and a yield of six tons per hectare, Indonesia's rice production has decreased by about 600,000 tons annually. The minister pointed out that this means a \$150-million annual loss without even taking into account the government's investment in developing irrigation facilities.

Industrialization has also created other "drawbacks" to rice production and to agriculture in general, according to MERDEKA. In West Java, the sector is facing a decreasing supply of manpower. An official of the Karawang agricultural service said that workers are scarce in the rice fields of Bekasi and Karawang (areas with newly-established large factories.) It is difficult to compete with the higher wages offered by factories, he said. The official also stated that industrialization has led to increased migration from rural areas other than Java.

An offshoot of industrial development that is also hurting rice production is a water shortage, according to SUARA PEMBARUAN. Faisal Kasryono, chairman of the Agriculture Research and Development Agency, said that 25,000 hectares of rice fields in Java have been lost because the water has been diverted to the factories.

To offset these losses, the government has tried to develop new rice fields outside Java, KOMPAS reported, but insufficient capital and poor infrastructure are "bottlenecks" that still need to be overcome. From March 1993 to April 1994, Indonesia's goal was to develop 47,950 hectares of new fields. However, as January 1994, only 7,012 hectares--about 14 percent of the goal--have been developed.

Pulp Joint Venture With Japan Announced

Indonesia's Barito Pacific Timber Group and Japan's Marubeni Corporation and Nippon Paper Industries Co. have signed an agreement to establish a \$1 billion pulp factory in South

Sumatra. The factory, scheduled for completion in early 1997, is expected to have an annual production of 450,000 tons, all for export. While final ownership is still being negotiated, it was determined that the Barito Group will have a 40-percent share in this venture. (Jakarta BISNIS INDONESIA 9 Apr 94 p 1)

Daihatsu, Other Foreign Auto Production Growth

The Japanese automaker Daihatsu has increased vehicle production in Indonesia by 74 percent to 24,000 vehicles compared with 1993's output of 13,800 vehicles. Major components for its vehicles, such as stamped parts and engines, are procured through "Astra-Daihatsu Motors," its Indonesian joint venture company with the Astra Group, one of Indonesia's largest conglomerates. Daihatsu vehicles are assembled at its Jakarta plant by the Indonesian firm Gaya Motors. Four types of Daihatsu vehicles are produced, including its "Charade" subcompact and a recreational vehicle. For Daihatsu, plant operating rates are rising, it has ample production capacity, there is no need for additional plant and equipment investment, and demand for vehicles appears strong.

1993 sales in Indonesia totaled about 200,000 units, "more than 90 percent of which were produced by Japanese automakers." Among other foreign automakers, South Korea's Hyundai Motors, in association with an Indonesian conglomerate, will begin production of small passenger cars in February 1995 at a plant being completed outside Jakarta. Hyundai's production during the first fiscal year of operation will be 3,000 units, increasing to a maximum of 10,000 units by 1999.

For Daihatsu, its Indonesian operations are an important part of its Asian production together with its operations in China and Malaysia. In China, Daihatsu plans to increase passenger car production to 115,000 units in 1994, up from 47,000 vehicles assembled in 1993. In Malaysia, Daihatsu, as the Japanese partner in Malaysia's "second national car project," will begin production of a new minicar in July 1994. (Tokyo NIKKEI SANGYO SHIMBUN 25 Apr 94 p 11)

State Bank Obtains \$87-Million Loan

The People's Bank of Indonesia (BRI) has obtained a \$37-million loan from a syndicate of 37 foreign banks to be used as working capital. Included in the syndicate are the Arab Bank, the DKB Merchant Bank and KDB International of Singapore, the Overseas-Chinese Banking Corp., the Westdeutsche Landesbank Girozentrale, and the Yasua Trust and Banking Co. The loan is for 25 months at an interest rate of 1 percent above SIBOR (Singapore Inter Bank Offered Rate). BRI reported a 1993 profit of \$53 million, and its loans amounted to \$8.5 billion. (Jakarta BISNIS INDONESIA 20 Apr 94 p 1)

Contract For Digital Telephone System Signed

P.T. Telkom's Director Setyanto P. Santoso and representatives of the SNH consortium recently signed a contract for the second phase of the Indonesia central digital telephone system. The contract, worth \$34 million, entails the installation of 444,100 telephone lines in over 91 locations and is expected to be completed by June 1996. The consortium comprises P.T. Humpuss, Sumitomo Corporation (Japan), and P.T. NEC Nusantara Communications. (Jakarta KOMPAS 28 Apr 94 p 2)

Pertamina Begins Gas Production in South Sumatra

South Sumatra's branch of the state-owned oil corporation Pertamina recently started producing natural gas for commercial purposes at Lembak district. The daily 60-million cubic feet production will be supplied to P.T. Pupuk Sriwijaya. (Jakarta KOMPAS 22 Apr 94 p 2)

Hong Kong Bank Opens Branch in Semarang

The Hong Kong and Shanghai Banking Corporation recently opened a branch in Semarang to expand its service network. Peter Atkins, manager of the Hong Kong and Shanghai Banking Corporation in Indonesia, stated that the bank's assets in Indonesia are currently \$500 million and its 1992-93 profits were \$8.5 million. (Jakarta KOMPAS 25 Apr 94 P 2)

Firms To Participate in New Power Projects

State Electric Company (PLN) President Zuhal and Giri Suseno Hadiarjo, vice chairman of the Agency for Strategic Industries (BPIS), recently signed an agreement for its 10 state-owned strategic industries to assist PLN in improving its power generation technology. The five-year agreement calls for the 10 companies to participate in the construction of power plants, technology procurement, and joint research. (Jakarta THE JAKARTA POST 16 Apr 94 p 8)

Government Allocates \$1 Billion for Oil Refinery Projects

The government has allocated \$1 billion for the state-owned oil company Pertamina in fiscal year 1994/95 for its three investment projects in Cilacap (Central Java) and Balikpapan (East Kalimantan). Pertamina's Exploitation Director G.J. Atihuta said \$600 million will be used for the Cilacap refinery to increase its production capacity from 300,000 to 350,000 barrels a day and the remainder will be for upgrading and modifying the two Balikpapan refineries to increase production to 65,000 barrels a day. (Jakarta THE INDONESIA TIMES 6 May 94 p 1)

MALAYSIA

Petronas To Supply Petroleum Products to Zimbabwe

The National Petroleum Corporation [Petronas] has established a foothold in southern Africa after winning an open tender for the supply of 300,000 metric tons of petroleum products worth about \$59.6 million to Zimbabwe. The agreement was signed in February. (Kuala Lumpur NEW STRAITS TIMES 28 Apr 94 p 2)

South Korea Emerges as Seventh Foreign Investor

South Korea has emerged as the seventh largest foreign investor in Malaysia, with investments amounting to approximately \$1.2 billion in more than 140 manufacturing projects. These projects have created 25,000 jobs in Malaysia. (Kuala Lumpur UTUSAN MALAYSIA 12 Apr 94 p 7)

PHILIPPINES

Singapore Firm To Build Port, Industrial Complex in Iloilo

The Singapore Transstroy International Pte. Ltd. has signed a memorandum of understanding with the municipal government of Leganes, Iloilo, to undertake a \$1 billion reclamation and port development project under the build-operate-transfer program. The project entails the reclamation of 1,000 hectares along the coastal area of the town and the development of a commercial port and industrial complex. (Manila BUSINESS WORLD 10 May 94 p 4)

Board of Investments Approves PVC Resin Venture

The Board of Investments has approved the establishment of a \$600-million polyvinyl chloride (PVC) resin manufacturing plant by a consortium comprising Mabuhay Vinyl Corp., Bank of the Philippines, Mitsubishi Corp., and Tosoh Corp. of Japan. The plant, to be located in Bataan, will start operations in July 1996 with an expected annual capacity of 60,000 metric tons. (Quezon City MALAYA 3 May 94 pp 9, 10)

SINGAPORE

American, Japanese Firms Open Disk Drive Facility

Quantum Corporation, an American disk drive maker, and Japan's Matsushita-Kotobuki Electronics have set up a logistics center and a factory, respectively. The facilities opened on 26 April. Singapore produced about 21 million disk drives with a factory value of \$5.8 billion in 1993, accounting for nearly half of world production of hard disk drives. Quantum's new logistics center will take finished disk drives from Kotobuki Electronics Industries Singapore and configure them according to the specifications of Quantum's customers before delivery. (Singapore THE STRAITS TIMES 27 Apr 94 p 36)

Government Plans To Lower Corporate Tax Rate

Singapore plans to cut its corporate tax rate from 27 percent to 25 percent to encourage further investments and to bolster its standing as a commercial and high-tech industrial hub. To offset this reduction in government revenues, Singaporeans have begun paying a new tax on most goods and services. (Kuala Lumpur BERITA HARIAN 12 Apr 94 p 5)

THAILAND

Cabinet Authorizes Additional Telephone Circuits

The Cabinet recently authorized the Communications Authority of Thailand (CAT) to install 10,000 additional circuits for international telephone calls. Deputy Transport and Communications Minister Phinit Charusombat said the new circuits, which will cost \$256 million, will make up the CAT's fourth international transmission switching center. (Bangkok BANGKOK POST 11 May 94 p 6)

PTT, Total Company To Establish Gas Venture in Vietnam

The Petroleum Authority of Thailand (PTT) and the France-based Total Company plan to establish Vietnam LPG Company Ltd., a liquefied petroleum gas venture with Vietnam Gas. PTT will hold a 32-percent equity, while Vietnam Gas will hold 36 percent, and Total Company the remaining 32 percent. The 20-year, \$15.04-million venture has a registered capital of \$5.25 million and is expected to generate a return of 39 percent. (Bangkok Radio Thailand Network 0000 GMT 11 May 94)

Joint Venture With PRC Firm in Asian Oil Projects

PetroAsia--a joint-venture company between Thailand's Charoen Phokkhaphan [CP] Group, the Petroleum Authority of Thailand [PAT], and the PRC state oil firm Sinopec--plans to invest up to \$3.2 billion over the next five years in Asian projects. Ventures are planned in oil refining, storage, distribution, wholesaling, and retailing in Thailand, the PRC, Vietnam, Cambodia, Laos, Burma, the Philippines, and Bangladesh. On 2 May, the three partners formalized an agreement to set up a PetroAsia subsidiary known as PetroAsia (Thailand) to operate retail oil businesses in Thailand. CP and PAT will hold 35 percent each in the joint venture, while Sinopec will hold the remaining 30 percent. The Thai unit will be responsible for setting up a retail network to include the establishment of at least 300 standard service stations and 200 small outlets over the next 10 years. Total investment is estimated at more than \$280 million. (Bangkok ZHONG HUA RIBAO 5 May 94 p 10)

VIETNAM

Japanese Ministry To Help Establish Postal Savings System

The Vietnamese Government has requested the assistance of Japan's Ministry of Posts and Telecommunications (MPT) in establishing a postal savings system. The government's goal is to raise Vietnam's low individual savings rate and help improve the efficient use of such savings. Currently Vietnam's more than 1,000 post offices only handle mail and money exchange remittances.

In January 1994 the MPT began cooperating with Vietnamese personnel studying Japan's governmental system. Now plans are to send MPT officials to Vietnam to provide advice concerning legislation for a new postal savings system, including advice on its organizational structure and the training of personnel. The MPT has provided similar assistance to South Korea and China in establishing their postal savings systems. (Tokyo NIKKEI KINYU SHIMBUN 26 Apr 94 p 1)

Resolution Highlights City's Growth, Development Objectives

At its midterm party conference held on 28-31 March, the Ho Chi Minh City party organization endorsed a resolution containing the following major economic objectives:

1. Step up rationally structured industrialization and modernization.

Quickly invest to upgrade equipment and apply modern technology; emphasize production of consumer goods; gradually develop the machine tool and assembly sector; improve agricultural

programs; and gradually modernize infrastructure. The conference set economic growth targets at 14 percent per year, with the total investment capital at 30 percent of GDP.

2. Increase external economic operations.

Quickly build an international business center in Ho Chi Minh City; and move on to organize commercial representation abroad; and quickly attract foreign investment keyed to development, i.e. giving priority to infrastructure, farm produce processing, and consumer goods production along with development of high-technology industries.

3. Create additional advantageous conditions for economic sectors to develop along socialist lines.

Continue research strengthening the cooperative economy; establish policies to support individual enterprises and small owners; and eliminate excessive bureaucracy regarding the approval and registration of commercial endeavors.

4. Emphasize the role of science and industrial technology.

Make priority studies of the application of new industries, so that 50 percent of the production facilities will have undergone equipment renovation by the end of 1995. (Ho Chi Minh City THOI BAO KINH TE SAIGON 7 April 94 p 7)

Malaysian Company Upgrades Rice Mill for Exports

The Tien Giang Grain Processing Company and the Malaysian firm Renong have formed a joint venture to process rice for export. They began by restoring and upgrading the Tam Long rice mill in Cai Lay District. The mill's present capacity is 10,000 metric tons per year with a capacity of 30,000 metric tons expected by 1995. Total investment capital amounts to \$3.36 million, equally shared by both partners. (Ho Chi Minh City THOI BAO KINH TE SAIGON 30 Mar 94 p 6)

French Company to Produce Beer, Soft Drinks

The French company B.G.I. and the Danang Brewery have formed a joint venture to produce beer and soft drinks. Total investment capital is \$23.8 million, of which the French partner will contribute 70 percent. Construction has begun on the plant in Quang Nam - Da Nang Province. The plant's capacity will be 25 million liters per year with 80 percent beer and 20 percent soft drinks. (Ho Chi Minh City THOI BAO KINH TE SAIGON 13 April 94 p 5)

State Bank to Invest \$73 Million for Automation

The Vietnam State Bank plans to invest some \$73 million for automation and computerization of the SRV banking system. The bank sees automation as a way to improve service which will attract more deposits from the public. The automation process may take six years. The World Bank will provide technical assistance. Part of the automation cost will be borne by the Vietnam State Bank, and part by IMF and ADB loans. (Hanoi HANOI MOI 21 April 94 p 2)

Rice Export Earnings Lower, Processing Methods Poor

Vietnam's lack of modern rice processing methods is depressing profits on its annual exports of two million metric tons. In January, Thai rice with five percent broken grains sold at \$380-

\$390 per metric ton, but the Ministry of Trade set the export price for Vietnamese rice of the same grade at only \$255 per ton in February. With a difference of \$125-\$134 per ton, Vietnam "loses" approximately \$200 million per year. Specialists say Vietnamese rice has a high moisture content when processed locally, which affects the taste. It also has a higher percentage of husks and impurities. (Ho Chi Minh City THOI BAO KINH TE SAIGON 30 Mar 1994 p 4)

French, Norwegians in Harbor Construction Project

Construction of the Phu My harbor in Chau Thanh District, Ba Ria-Vung Tau Province is expected to be finished in late 1995. The new harbor will be built with a total investment capital of \$9 million, of which the Vietnamese side is contributing 40 percent and the foreign partners--France's Conco and Sogema Companies and Norway's Norsk Hydro Company--are contributing 60 percent. In the first phase, the harbor will be able to handle ships of up to 40,000 tons. (Hanoi VNA 1407 GMT 30 Apr 94)

British Petroleum in Lubricant Plant Joint Venture

British Petroleum will open a \$28 million lubricant plant in Nha Be District, Ho Chi Minh City in a joint venture with the Vietnamese oil export company Petrolimex. It is expected to produce 50,000 tons of lubricant per year. (Hanoi Voice of Vietnam 1000 GMT 28 Apr 94)

Rubber Industry Seeks Foreign Partners

In an effort to increase its rubber production, the Vietnam Rubber Corporation has negotiated with Indian and Taiwanese companies to conduct feasibility studies to set up joint ventures in rubber plantations and processing. Vietnam plans to set aside an additional 5,000 hectares for rubber plantations. (Hanoi VNA 1354 GMT 10 May 94)